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Factory Management

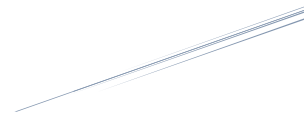
Volume 2 - V1.7

Policy Deployment & Control

“POLICY-CONTROL”

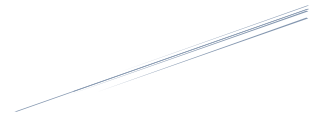
Koichi Kimura, Japan-2017

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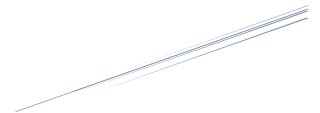
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Koichi Kimura – Japan – 2017

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Título de la Versión Española:
Factory Management. Volumen 2 – V 1.4
El Despliegue y el Control de la Política Corporativa – “Policy-Control”

Title of English Version:
Factory Management. Volume 2 - V 1.7
Policy Deployment & Control – Policy Control

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Traducción, Edición y
Adaptación de la versión Española:
Eduardo L. García – España © 2017
<https://es.linkedin.com/in/edulgg>

Edition and Adaptation English version:
Eduardo L. García – España © 2017
<https://es.linkedin.com/in/edulgg>

El Documento ha sido editado para su impresión en Doble Cara sobre DIN-A4
This Document has been edited to double-side printing and DIN-A4

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“**Factory Management Institute**” is an Organization in the Period of Incorporation at the date of publication of this work: Jan, 30th 2017. www.factorymanagementinstitute.com

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II Introduction

Dear Friends;

In this column, I would like to introduce the Corporate Policy Control system, which name in Japanese is Hoshin-Kanri.

I think there is no doubt that kind of company is necessary to survive. And for a company to survive, it must pursue continuous profit and improvement in the 3S condition (3S: Customer Satisfaction, Society Satisfaction, and Employee Satisfaction). However, how can we pursue continuous benefit and improvement?

It is evident that some action is required with the help of an action plan. But, when planning, do we plan to get good ideas? Or do we plan to organize the actions? Of course, both ways of thinking are acceptable.

Either way, it is necessary to take a budgetary some measure and consider the capacity of human resources available.

The "Making an Action Plan to harvest Good Ideas" form, also requires the budget measure at the beginning of the exercise.

And also, an action plan is needed to follow and confirm the contribution to the final target.

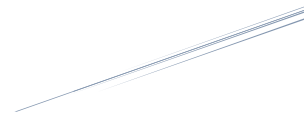
Moreover, as a corporation, it is required to have a perspective of profit and keep pace in its career background for business longevity.

By the way, when improvement there are two phases. One of them is the type "Gemba" that is called Continuous Improvement (Kaizen) in Gemba. Another is Organizational Improvement.

And in this column called "Policy-Control," describes the phase of Organizational Improvement. And actually, I value the Policy-Control or the Corporate Control Policy as the backbone of Factory-Management.

By the way, I will also explain why PDCA's Deming cycle is not suitable for Corporate Policy Control.

Koichi Kimura (February 2017)



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III Policy Management & Control System

Before going with the main topic, I would like to present a story about my work experience. A story that is not transcendent, but relevant and closely related to the theme of this column.

I think some translations of some Japanese words into English or Spanish are famous. Otherwise, others ones are not. And some of these translations cause many difficulties in the correct interpretation of their meaning by the client.

One of these translations is the "Control-of-Politics or Policy-Control." However, I wanted to teach *Hoshin-Kanri* in Japanese.

Hoshin means POLITICS, while *Kanri* means CONTROL or MANAGEMENT in Spanish or Castilian.

Then, teach Hoshin-Kanri instead of "Policy Control" as you thought it should be taught. However, it did not exist, and there is no word in English or Castilian, which implies the same meaning as I understood by Hoshin-Kanri. Thus, there were certain aspects present in words "Control of the Politics" that suggested different points of view and tools of which the attribution indeed contains using Hoshin-Kanri.

But when I started a consulting job in a company, I asked a question and a request to let me see the 'Annual Policy' that was being developed into the enterprise.

– Yes, we do. – answered client.

So I began to listen to your policies on your Security, Quality, Recruitment issue, etc.

– No, I mean the "Annual" policy. –I replied politely.

– "Annual" policy? Hum... I do not understand. What is the Annual Policy? –he questioned.

Then, I decide to change the way I do the question.

– Do you have annual corporate objectives or an annual business plan or a particular annual plan? – I asked.

– Yes, of course, I do. –he answered, recomposing himself.

In this way, he showed me his Action Plan. But both concepts were different from my understanding of the Annual Plan. Then I explained to him what my perspective was for the Annual Policy and the Policy Control.

Some years later, I was able to understand that there was no clearly defined system in the world, or at least the one that did not take place, for the control of politics, policy management or even deployment of corporate policy.

I was fortunate to get a great understanding of this Policy Control from the Japanese perspective by teaching it in that company. However, I believe that I caused unnecessary confusion to some clients based on my view and prejudices on what is or what should be Policy Control.

After many years I decided to look for the concept "Policy Control" throughout Internet, and I found it in Wikipedia among other places. So I checked and finally understood that there is no perspective I learned about *Hoshin-Kanri*, generally in the world, including USA or UK.

I also did a check of *Hoshin-Kanri* concept, and to my surprise, through this Internet surfing, I also discovered many different definitions and descriptions of what it was and what it meant, at least what it said for the authors of those stories, the concept of *Hoshin-Kanri*. I found many different definitions.

I also looked for the concept of "Policy Control" with no positive result and yet I found Policy Deployment (jp + eng: *Hoshin-Deployment*) and also I found many different descriptions of it.

Although, in Japanese, there is also the term "*Hoshin-Tenkai*", which would be equivalent to *Hoshin-Deployment* in a mixture of English-Japanese or "Policy-Deployment" in English.

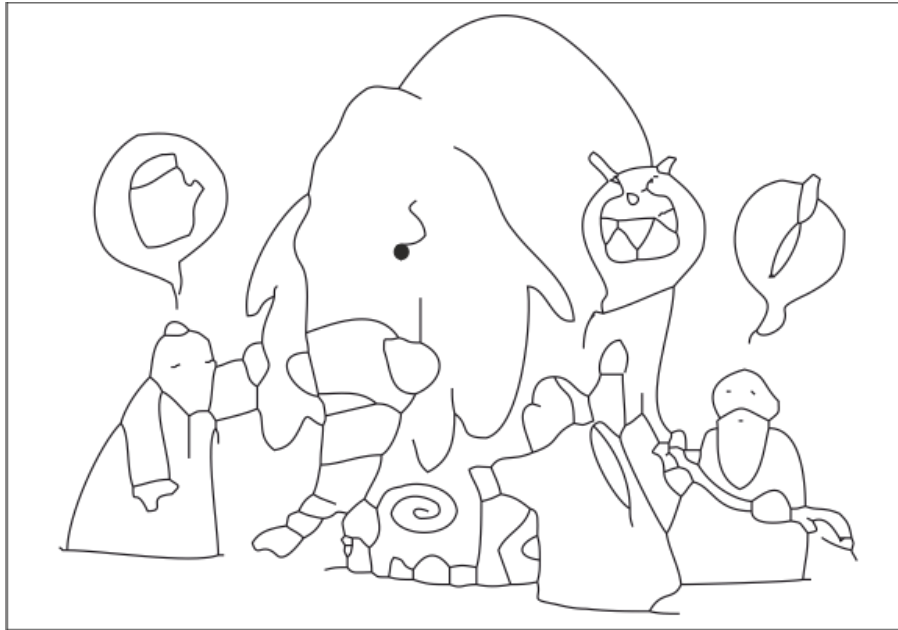
Again, I was surprised that this concept and words of *Hoshin-Kanri* were very familiar and used, as already it is the word of Kaizen.

In any case and unfortunately, I did not find the definition of *Hoshin-Kanri* I expected. I even found only partial descriptions, in which the whole concept is not shown, but separate parts that provoke misunderstandings. As it happens to the blind who examine an elephant and each draws its conclusions, in the old elephant's Eastern tale and the three blinds¹. Definitions and explanations are insufficient, from my point of view and experience.

Furthermore, I think all these definitions are very far from the actual *Hoshin-Kanri* concept that an excellent company should develop.

¹ The three blinds and elephant is a parabola originating on India. It has been used to illustrate the inability of man to know the totality of reality. It is used, among others, to express the behavior of experts in fields where there is a deficit or lack of access to information, the need for communication, and respect for different perspectives.
https://en.wikipedia.org/wiki/Blind_men_and_an_elephant

That is why I decided to write this column describing the Policy Control that should be developed to achieve corporate excellence, as the first column after the presentation of the Factory Management Framework.



Please accept my definition, by the trust that is the appropriate way. However, I do neither use the words *Hoshin-Kanri* nor *Hoshin-Tenkai* even or *Hoshin-Deployment*, although I do have an absolute preference for using next words: Policy Control. Because of the confusion and differences regarding *Hoshin-Kanri*'s different definitions can be found all over the world.

It has been a long time, since I exclusively used the words “Policy-Control” to refer to the Annual Planning and control of Corporate Activities within the Factory Management Framework. Thus, “Policy-Control” is the first tool of the Leverage (Warp ⇄ in the cloth of Management) to develop in the deployment of the Factory Management System.

Indeed, what are the differences between my “Policy-Control & Deployment” and *Hoshin-Kanri*? And why is it so widely described in many areas of the internet in a partial and incomplete way?

Hoshin-Kanri, defined as Corporate Policy Deployment in English, gives the impression of being something similar to a Project Management and Development, such as using the PMP methodology.

Of course, there is the possibility of integrating Project Management into one particular task within Policy Control. But, first of all, the real *Hoshin-Kanri*, is not a system of management or

deployment of projects. This *Hoshin-Kanri*, defined as Corporate Policy Deployment, does not provide us with a global image of corporate governance and it is not a kind of “Project-Deployment Scheme”.

The real Hoshin-Kanri is related to Vision and Corporate Strategy. And exist this type of definition in many of the descriptions found across the internet. However, the real *Hoshin-Kanri* is also related to Budget Control, Profit Plan, Indicators (KPI), with established objectives and with the Control of established milestones. It is also linked to the performance evaluation system, with the Daily Evaluation system and the Control of Deviations. Also, it is related to the Role of Managers and Supervisors.

Also, the total image of the real system of the flows of information and works, into these *Hoshin-Kanri* that appear widely published on the Internet is not shown. Only a partial picture of this methodology, published by many different experts, is shown, and they are not of original Japanese perspective, where this method is actually born, and where the reason for certain actions within this approach is known.

Corporate Policy Control, which is the name I prefer for this global system of Corporate Policy Deployment. Which has two distinct phases:

1. The first phase is related to the Vision and Strategy, and the introduction of certain innovative elements, such as Expansion of the company through M&A techniques, Introduction of TPS, etc.
2. The second phase is more related to the proper development of operations, such as improvements in Safety, Quality, work-Environment, Customer Satisfaction, Cost reduction, Profit recovery, increase in cash-Flow, Sales, etc.

The primary function of “Policy-Control” is to deploy both of two previous phases within the daily work routine. Obviously, it is important to relate them into an available budget. If there is no direct relationship with the annual budget, the deployment activity has no real effect.

PDCA² cycle is not suitable for the implementation of Policy Control. I will describe the PDCA cycle in more detail, although I will briefly mention that PDCA cycle is a cycle designed for the Gemba, which is based on trial and error, which has no place in the deployment of Policy Control.

² PDCA: <http://es.slideshare.net/enateduardo/pdca-tool-english-20>
<http://es.slideshare.net/enateduardo/kaizen-cycle-tool-eng-v10>

Vision and Corporate Policy

We consider a long-term corporate policy, as a 5-year vision. Likewise, a medium-term vision is determined by the next 3-years. Also, we have the short-term vision, which would be described in the Annual Policy.

These three views are necessary. However, the temporal limit between long and medium term is very vague and, at the same time, it is interchangeable under certain circumstances. It is, therefore, important to clearly separate the long-medium and short-term perspectives. Thus, long and medium term perspectives are established in the VISION and the Corporate Strategy (Rightware - Corporate Constitution), while into the deployment of "Policy-Control" we attach importance to the Annual Policy.

As far as budget control is concerned, the perspective is the same. Moreover, this column describes the deployment of the Annual Policy, Annual Benefits Plan, and Annual Budget. But I omitted the description of vision and strategy in the long and medium term.

Again, I mention the most important concept in corporate management and within the Factory Management System that is "All People's Participation." All workers have to be related to management, each one at his/her training level. In order to achieve it, communication and dialogue are essential. To achieve this, it is also necessary, to use the same language.

Flying notes of Sensei Kimura...

Using Japanese words does not make you look smarter.

First of all I do not use Japanese words that can be translated correctly into English or any other language from the country.

For example, Kaizen is popular in the world, but I recommend using the words Continuous Improvement.

When I was in Chile (as you know Chile is a Spanish speaking country), I taught the 5S technique to a company and I needed to replace the 5 Japanese words with 5 other words in their language. So, I chose an acronym very easy to remember and that combined two languages widely used, English and Spanish. This acronym is SOL-ME.

As you may well suppose, S; Separate (Seiri), O; *Odenar* (eng. Sort) (Seiton), L; *Limpiar* (eng. Clean) (Seiso), M; *Mantener* (eng. Sustain) (Seiketsu), E; Educate (Sitshuke). In this way everyone was able to understand and take on the SOL-ME activity proudly.

The same can be said of the concept *Hoshin-Kanri*. Who really knows this concept in the Gemba? Maybe no one. So why use this Japanese word? Who can be understood by using these words? So what do you really look like when you use this word in gemba?

And just in relation to the word '*Gemba*', it has also been assumed in the common uses outside of Japan, because there actually is not a word in English or Spanish to define the concept of The Real Place, The Place Where Things Happen.

I will also describe the *Gemba-Ryoku* concept, which has no adequate translation.

In any case, I always recommend using words from your mother tongue as long as possible. And I honestly do not like to use the Japanese terms unnecessarily and pompously. A typical example is *Hoshin-Kanri*.

Maybe using Japanese words can make someone look smarter, but he really does not know what the Gemba is saying about it and behind it.

IV Complete Policy Control View

As I mentioned earlier, two phases are established within the Corporate Policy Control.

1. The first step is related to the Vision and Strategy, in addition to individual elements related to large-scale activities. For example the introduction of TPS, the expansion of sales or the setting up of a new factory in a different country.
2. The second step is related to the development of the general or usual activity. These initiatives are more related to improvements in safety, quality, work environment and environment, customer satisfaction, cost reduction, profit line recovery and improve cash flow.

Each phase requires very different approaches.

1 Particular Elements of the Vision and Strategy.

These are often large-scale strategic projects that are clearly oriented towards Corporate Vision. Depending on the subject, a **Special Committee** is usually set up for this purpose.

I believe that the project management (PM) activity that may be developed in this category is widely known. However, the business of a particular committee about the Control of the Policy of the factory management system, may not be so much.

For instance, in the case of introduction of TPS activity throughout the company, the establishment and operation of a standing committee are convenient and necessary, better than considering a project with beginning and end, according to the methodology of project management Chosen.

In any case, it is a temporary activity with an established end up, which are the fundamental premises of any project management. The project-group disband after the finish of the activity and responsibility and continuity of the activities is transferred into the Gemba, moreover the tracing of respective KPIs.

Usually, a system based on project management is useful for making drastic improvements over a short period and with a small number of highly talented members. It is just as a group of highly experienced consultants working on and facing a particular problem.

Rather than deploy a management by projects, I recommend establishing a committee that involves a broad range of the most relevant sections of the company.

I should like to mention that I have been aware of some discontent in the Gemba that certain temporary systems or methodologies do not meet the requirements of production and misalign production systems. These irregularities are normal and occur because the Gemba is a living element. However, when the project is finalized, and the consultant has disappeared, these small mismatches are easily offset by the introduction of substantial improvements.

An additional issue may be the high relative cost of the people who lead the project under the role of consultants.

I have heard some disqualifying phrases, specifically in the UK and after the experience of introducing TPS: ‘-Somebody- is an irresponsible expert. When work has ended up, -someone- left the company, just before the flood occurred.’ Especially suspicious is the case of consultants who use words like *Hoshin-Kanri*, like fashion words.

Therefore, Worker in Gemba must understand and know the methodologies leading to implementing his part of the long-term strategic project established leading the corporate vision and managed by the committee set up for this purpose. And the job of the consultant should also be that training.

Committee Activity

A committee established to carry out strategic projects has three functions, which are:

- 1. Development of the system as if it were a project: PLAN;**
- 2. Transmission of the system to Gemba: DO;**
- 3. Education and training: DO;**

The following phases of something may be considered as PCDA: CHECK + ACT, already belong to the Gemba, not for the established committee. However, it is the committee that establishes the fundamental indicators at the beginning of the activity and to develop the activity of checking and later adjustment of the implemented solution.

Therefore a PDCA (Plan, Do, Check, Act) is not recommended to use it for this type of activities. Later on, I will expand the appropriate development of this project adapted PDCA cycle.

The Members of the Committee

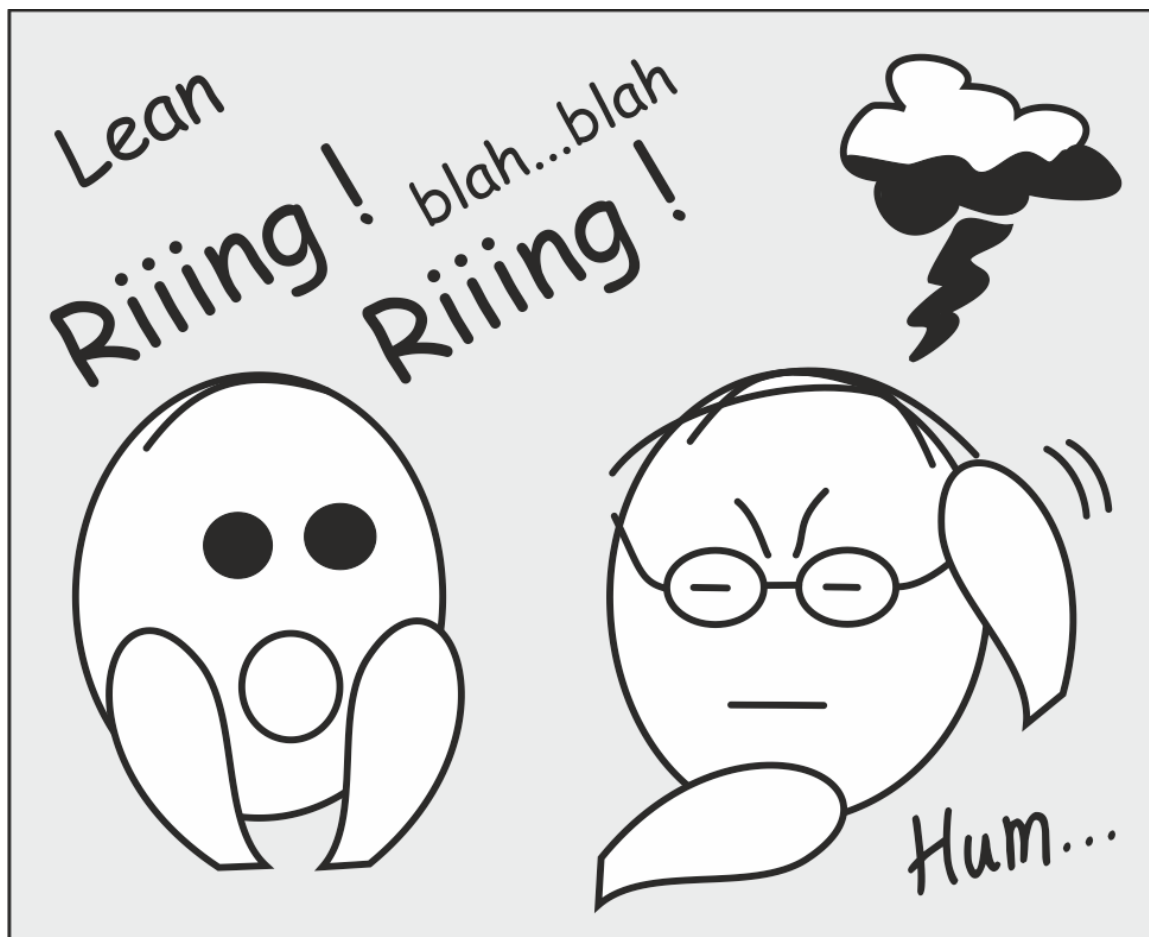
1. **President:** He is the director or president of the organization, depending on the theme and scale of the company. Of course, it is not a full-time position.
2. **Secretary:** TWO people dedicated to full time.
3. **Manager:** All relevant section managers involved in the activity. Not even full time.
4. **Experts and other Gemba workers:** In this case all of them part time.

One of the most important facets of the Policy Control Deployment is to move and cascade down to the scheduled tasks, within the work routine.

2 Common Developments and Improvements in Gemba.

In this column, I will primarily describe the active element of the company's backbone, but first, please allow me to tell a story:

One day, I contacted a customer who required the introduction of 'Lean Management.' I am exhausted of his spreading of knowledge about what he understood by 'Lean.' He repeatedly named the word Lean³, and I heard no more than 'Ring-Ring' ... as it sounds an annoying doorbell with a constant sound like a trill and regular rhythm. Honestly, my good mood was getting worse by the minute, through each repetition of this annoying sound: 'Ring-Ring ... Ring-Ring'.



³ TN: pronunciation in English is <lēn>, something similar to 'riing' and this sound may seem a lot to the onomatopoeia of the sound of an annoying doorbell like 'riing-riing', Which in this case uses Master Kimura to describe an annoying sound that sounds somewhere, but no one knows in which door even why.

This president then asked me for training and advising about the introduction of 'Lean Management.'

After our conversation and after taking a look at his factory, we, eventually, sat in the meeting room. Then, at last, I had the opportunity to speak:

– Bob ... - I said because this was the name of the president and because I thought it was time for Bob to face the reality of his company. – Your company is a jellyfish company, is not it?

– A Jellyfish Company? What does it mean? He asked, a surprised Bob.

– As you know, a jellyfish does not have a spine, does it? – I explained.

– Yes ... but, why is my company a jellyfish company? – I question Bob again.

– Your company also does not have the necessary backbone of management and under this undefined floats in the wave of what can be called the "present moment". – I answered, giving a particular emphasis to the words "present moment," adding a gesture of swing with my hands, as would be a boat in a swell.

– I wonder ... – and I continued. – How can you perform factory management without this essential backbone? Your leadership style is random. But I imagine, based on your dissertation that you are talking about '*Lean*' regarding *JIT*, *Kanban*, *Jidoka*, etc. and something like TPS. Also, as I've talked about Lean, you're talking about eliminating '*Muda*' (Waste). So am I right? – I asked.

– Yes. He replied with some surprise and disappointment. – But ... – and he continued exposing his 'riing-riing ... riing-riing'.

– Do you think this jellyfish company has the qualification or quality required to try to introduce something similar to TPS or TPM or whatever you want to call it? – I questioned after his dissertation.

– I tell you clearly 'Not.' – So, I answered that question by myself.

– Any question Bob! – I jumped as a demand and continued ... – Why did not you diagnose your factory through my checklist, as I requested before my visit? It is not necessary to require my time so unnecessarily. – I ended the reprimand in a more paternal way.

The rest of the conversation were not related to the subject. However, the president decided to leave the meeting room with a gesture of exasperation.

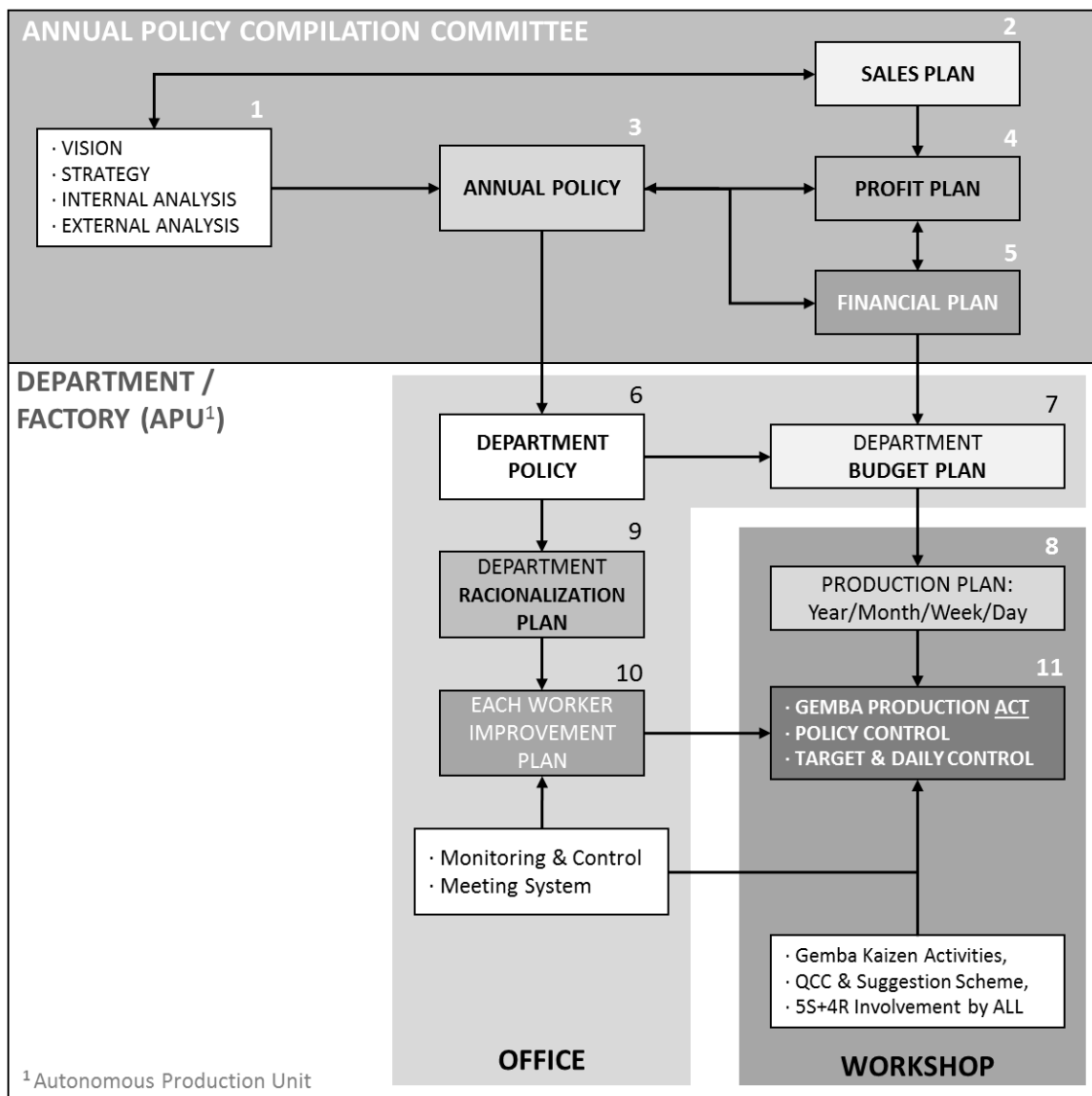
After returning to my hotel and when I was having dinner, he came to my table with his glass and sat down again to speak. Then he officially required my competition to train and prepare his company.

I have to say in defense of the honor of the company and the manager that it was not a company without a compass or management system. The company actually had its annual plan and the right action plan. But unfortunately, he had no history or a coherent backbone of management.

– Of course Bob. – I nodded, eventually, to his demand. – I promise to support your company, but I warn you that it is a long journey. – I continued... – I also believe that you can raise the level of management yourself, up to 75% required by my checklist. After that, please call me again. – and finally, I declined his kind offer.

The Management Backbone and the Control Flow of Politics

Here is the flow of Annual Policy Control or what is meant by Hoshin-Kanri and makes up the **Backbone of Factory Management**:



The beginning of this Backbone of Annual Policy lies in Vision and Strategy. It also takes into account the Annual Sales Plan, Situation of the Country and International Situation, moreover Analysis of KPIs, Benefits Plan, and Financial Plan.

I have mentioned on previous occasions that the most important job of the manager or supervisor is to build and carry out the plan and the Annual Budget. The budget plan is the compass and guide to get the necessary benefits and factory management. Therefore the primary task of the manager or supervisor is to build and write the budget in a sound of a control situation. Based on the SQCDD indicators and the 3S condition: Safety (S), Quality (Q), Cost (C), Delivery (D), Development (D) and 3S condition: Which is Based on Satisfaction of Worker, Customer, and Society.

S	Q	C	D	E	3S
Safety KPIs	Quality KPIs	Cost KPIs	Delivery KPIs	Development & KPIs Environment	Customer Employee Society Satisfacción

Annual Budget.

1. **Annual budget:** As mentioned above, Vision and Strategy generate a Short, Medium and Long term image. The Annual Policy is concrete into the Short Term. The most important and detailed work is done in the Annual Budget.
2. **The purpose of the budget:** The purpose of doing so in detail the annual budget is to prepare the scenario for the continuous corporate improvement.

Annual Budget Structure.

The process of preparing a budget is a bottom-up and top-down process. In an interactive process of adjustment.

1. **Sales Budget:** Forecast sales and profits. Short-term estimates should be made at this step.
2. **The budget of Costs:** Forecast of direct costs of sales.
3. **Expenditure Budget:** Forecast of indirect costs (Fixed Costs, Sales Costs, and Administrative Costs).
4. **The budget of Profits:** Profit Plan = Sales - Costs - Expenses.

In fact, there are some variations on the contents or budget structure depending on each company, and that could be different. Next, I expose Budget structure as typical.

Then the purpose of this column is to explain Policy Control. And I want to write the relationship of the Budget Plan in the Policy Control with the Gemba production. Therefore, I do not share the pages for an accurate explanation of the budget. Please ask your financial department to go further, if you wish.

The Management Backbone for Policy Control

In the **above** image you can see two flows differentiated by the area where the work of Management is developed:

1. **Office Workflow:**

The design of the Annual Policy, Budget, Departmental Policy, Departmental Rationalization Policy, Individual Action Plan and follow-up system. In Japan, the name of "Departmental Plan of Rationalization" is commonly used to refer to the Plan for Improvement and Development, but the latter does not seem to be a good name.

2. **Workflow in the Workshop:**

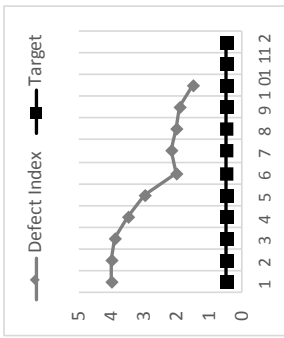
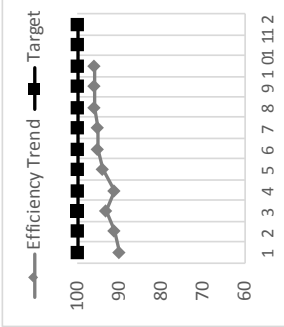
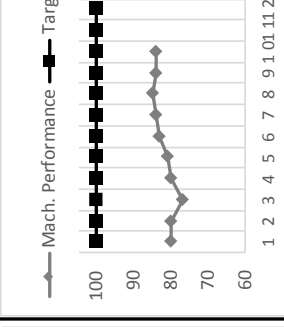
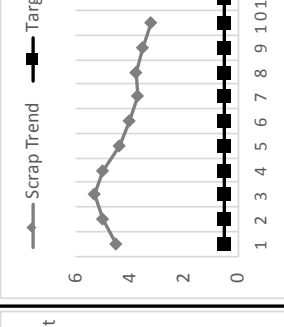
Budget Plan, Production Plan: Annual, Monthly, Weekly, and Daily. Production Control System in the Gemba and Kaizen Activity.

After developing Policy and Budget Control, they should cascade down to the actual office and Gemba's work. But how?

From the Policy and Budget Control to the highest level, the following specify departmental and sectional elements must be made. Finally, the policy cascades down to the activity of individual workers, including an activity of natural working groups and every employee individually.

The final achievement of the Budget is to identify the full corporate policy and the slogans to be used, departmental policy and its slogans, objectives with concrete figures, actions with their estimated effect, methods of monitoring and evaluation.

The following image is a final document that is developed by workers in the Office and Gemba by the workers.

TARGET TRACING ACTION PLAN SHEET				Date: October 2017																		
Department:				Version:																		
Company Policy	Quality Trend Defect Index		Efficiency Trend	Machinery Performance		Scrap Trend																
																						
Department Policy																						
Defect Index	Theme	Act	In Charge	Content	Estimate	Current	Target	Action Progress	1	2	3	4	5	6	7	8	9	10	11	12		
	Quality Improvement	1					4,5%	0,5%														
		2																				
		3																				
		4																				
5																						
TOTAL																						
Efficiency Improvement	1					96,0%	100,0%															
	2																					
TOTAL																						
Machinery Performance	1					84,0%	100,0%															
	2																					
	3																					
	4																					
TOTAL																						
Scrap Decreasing	1					3,2%	0,5%															
	2																					
	3																					
TOTAL																						

Office Working:

Due to the impact of the financial crisis at 2008 (Lehman-Brothers fall), SUMITOMO also suffered problems due to a rude decrease in profits. Then, Sumitomo-Wiring-Systems decided to place the profit recovery target in its 2009 annual policy. A goal was set within a profit margin of -3% to + 5%. The final result for the year was + 2%. Into the budget deployment of Policy Control 2010, then the target was established with an increase in profit about a range of + 2% to + 7%.

Gemba (Workshop) Working:

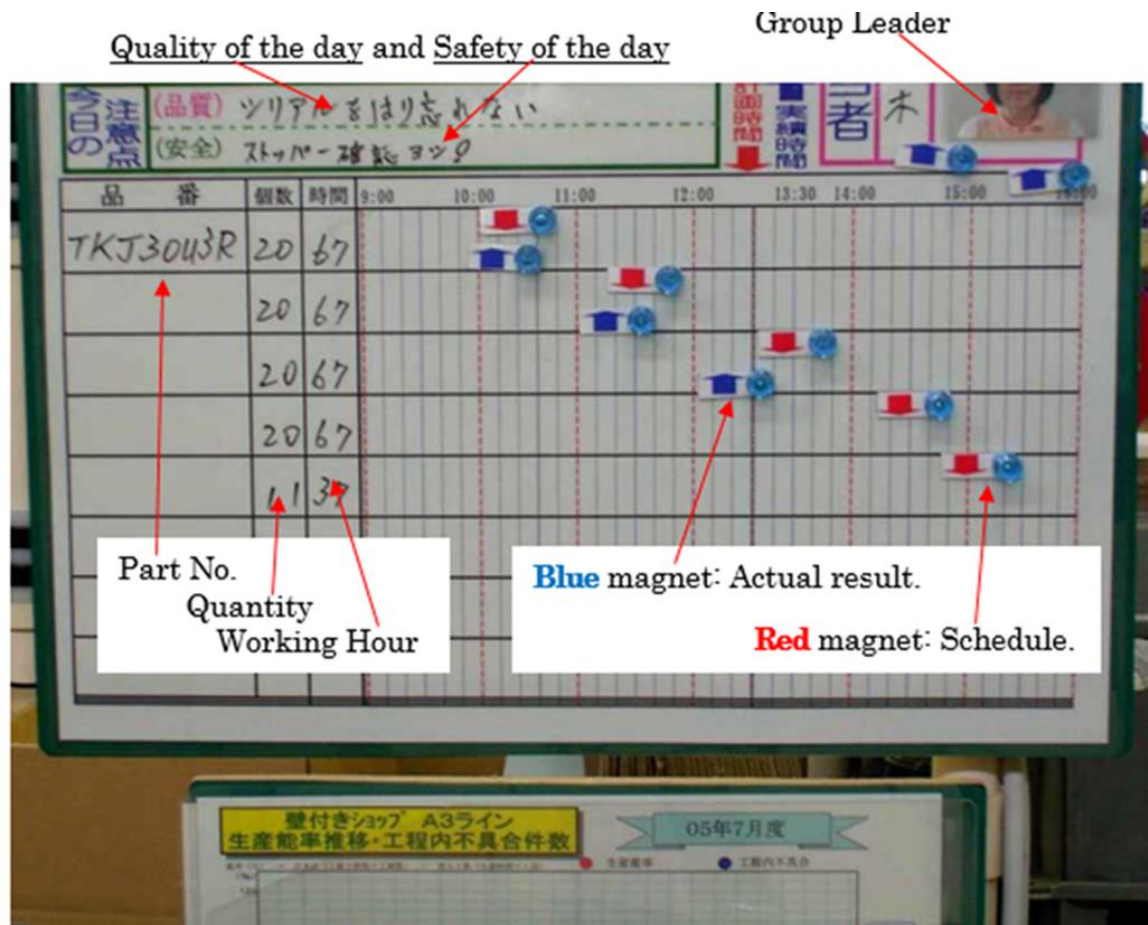
VALUED ACTION PLAN SHEET													
Budget	2011	Month 1				Month 2				Month 3			
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Profits Before Taxes													

By using this table in the Gemba or Workshop, it becomes possible to transfer greater responsibility to the Gemba about Policy Control and Budgetary Control. And just Gemba is the biggest beneficiary because it can understand it and associate it with its daily work and with the deployment of the Corporate Policy Control.

Most Gemba-Workers cannot understand the relationship between the percentage of profit generated by the company and the performance of its work. Of course, one of the most important aspects of Policy Control is to delegate the full figures of Policy Control to the workers, including Gemba workers. Those named in English under the neologism of 'Blue Collar Worker.'

Therefore, it is necessary to replace the percentage (for instance) of profits to its common language and understood in the Gemba. They are used to handle indicators with the name of KPI in the SQCDD panels: Efficiency Ratio, Relationship of Defects, Scrap Ratio, Material Rotation Ratio, and Ratio of machine operations, shown under the 3S condition.

Many companies do not have this system of visual management panels and indicators in the Gemba. Or even there have, those even maintaining them in the right way, do not generate the results and actions that they supposed to offer. This management model will be described in the Gemba-Royku column.



For instance, above image is an example of the language that Gemba best understands. The objective KPIs are reflected in the daily control of the production and the supervision of the target using a visual control clear and easily understandable and updateable by all the workers of the Gemba. The significant consequence of this type of management is that Policy Control can be delegated to the Gemba activity and Intermediate Command can stop "putting out fires" and dedicate to their true work, in addition to knowing more in depth the Gemba of Production.

On the other hand, the Action Plans that are made by workers and that are delegated to the individuals, are deeply followed in the monthly follow-up meetings.

Now, how do you replace (for example) the profit percentage with the number of customer complaints, efficiency, scrap ratio, etc., which are understandable for Gemba workers?

Departmental Unit Cost.

The key to the budget is the unit cost. First of all, the essential task of the finance department is to calculate the unit cost for the individual department and the concepts that are defined by the Committee, with the associated statistical control data.

For example, these may be annual goals for a production department. But the department must know what each of these indicators implies in the financial status of its department or facility. Therefore, the unit cost of each element or KPI must be determined.

1. 1% efficiency: how much does it imply in reducing costs?
2. 1% of the defect ratio: What does it entail in reducing repair and scrap or surplus costs?
3. 1% reduction of scrap or leftover material: how much does it involve cost reduction?
4. The volume of material: What inventory turnover, how many stocks and what total amount is in the inventory?
5. 1% of the operating ratio of the machine: Actually, this indicator is not related to the reduction of costs directly due to the fixed cost. But the fluctuation of production in sales is related to the opportunity to work overtime.
6. 1KMH⁴ budget cost: What is the cost of 1,000 standard cost hours? etc

By these unit costs and total target, the objectives of Gemba are established. And then, it is possible to involve all of the people and delegate into the routine of daily work.

Once again, it is essential to transfer to all individuals from the Policy to the Budget, to the Individual Action Plan and the day-to-day work of production.

⁴ KMH: Kilo-Man-Hour /MAN-HOUR x 1,000= Man-Hour times thousand.

Annual Corporative Policy

The complete corporate annual policy is built through the Vision and Strategy, the sales plan containing the sales target figures, the brief statement (symbolic logo and slogan) and the Corporate Policy Statement at the presidency level.

1. **Accurate figures: in KPIs.**
2. **Brief statement:** It is used in the action plan and also stands out in the Gemba and the Office. It is composed of a symbol and a slogan or a short phrase that summarizes the annual goal.
3. **Declaration:** It is an announcement to all employees at the beginning of (for example) the first day of work in New Year, and it extends in the magazine of employees or the Intranet so that it is accessible throughout the period of validity.

Firstly it is established from the top-management and cascades downwards. Then, once the annual policy of each unit is designed, it returns upwards in a feedback and adjustment process.

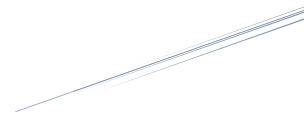
At the third quarter of the fiscal year (Q3), managers are very busy creating and setting the annual policy. If the exercise starts in January, these months would be July, August and September in the case of December were the due dates. If the fiscal year begins in April, these months dedicated to the preparation of the annual policy would be October, November, and December.

The **Annual Policy Compilation Committee** is usually established. Managers should be involved in this committee.

In order to design the Annual Policy, the following fundamentals must be taken into account:

1. Corporate Philosophy and the Corporate Mission Statement.
2. Vision and Strategy in the long term (3-5 years) and short-term (1 year).
3. Market research: Sales forecasts.
4. Analysis and investigation of the results of the current year. At the time of beginning the design of the annual policy, we only have data for the first two-quarters of the fiscal year, and it is precisely these, compared to those of previous years that we have to use.
5. The results of the achievements obtained in the deployment of the annual policy established in the past year, the current strategic perspective and the target figures.
6. Investigation report for the internal and external situation.

The task of this **Annual Policy Compilation Committee** is to design ideas in depth. And finally, the President and the Management Team decide the Corporative Annual Policy.



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V Construction of the Annual Policy and Budget by Department.

**Construction of the Annual Policy
& Department Budget**

- 1. Annual Policy by Department**
 - a. Department Statement
- 2. Budget Planning**
 - a. Establishing concrete figures.
 - b. Make action plan as a summary of the department.
 - c. Make the action plan of each person and Gemba
*And ... Once approved by the Annual Policy
Compilation Committee...*
 - i. Detail the department's action plan
 - ii. Describe the personal plan of action
- 3. Follow-up meetings**

1 Departmental Annual Policy.

The Department manager is in charge of designing and establishing his/her departmental annual policy based on the full annual policy with detailed figures and action plans. Target figures are not the same as any set of departments but are assigned to each department and cascades down in a particular way.

A departmental Policy Statement, based on the complete corporate statement, is also required.

Officially it is expected to start this work from the first month of the fourth quarter. After the speech of the president's declaration in the New Year in the case of April as the beginning of Fiscal Year. But the department manager begins to consider and prepare his departmental policy much earlier. During the third quarter of the exercise, it is time to establish the new annual policy.

However, in companies where the fiscal year coincides with the natural calendar, the New Year's speech comes too late and its content or even the basic lines of it, may need to be advanced so that corporate and departmental policy can be built with due anticipation.

And Manager usually takes into account all the ideas collected by his/her team and all the improvement actions kept in his pocket. It is time to make "rabbit-out-of-a-hat," not before or interrupting the work or habitually in the production Gemba.

Of course, your departmental monthly review meeting is held before the meeting with management (meeting of the management team). The manager keeps track of the monthly results and achievements against the current budget and established an action plan. Then it is when he/she understands the departmental situation, all problems detected and possible improvements.

His/her task is to decide and draft the departmental policy based on annual corporate policy in the long, medium and short-term, in a very understandable and comprehensible way by all its subordinates and considering all the characteristics of its department.

It may happen that any Manager designs a very beneficial policy exclusively for his department, but this could be the reason for disaggregation with corporate policy. For this reason, it is essential to maintain the same criteria established in corporate policy: Vision and Strategy.

2 Budget Planning.

I give an example of how my previous company establishes an annual budget within my department.

So, I was a departmental manager of the production factory that had the following departments:

- Design engineering
- Production Engineering
- Production control
- Machinery plant
- Assembly plants (final production)
- Factory of prototypes.

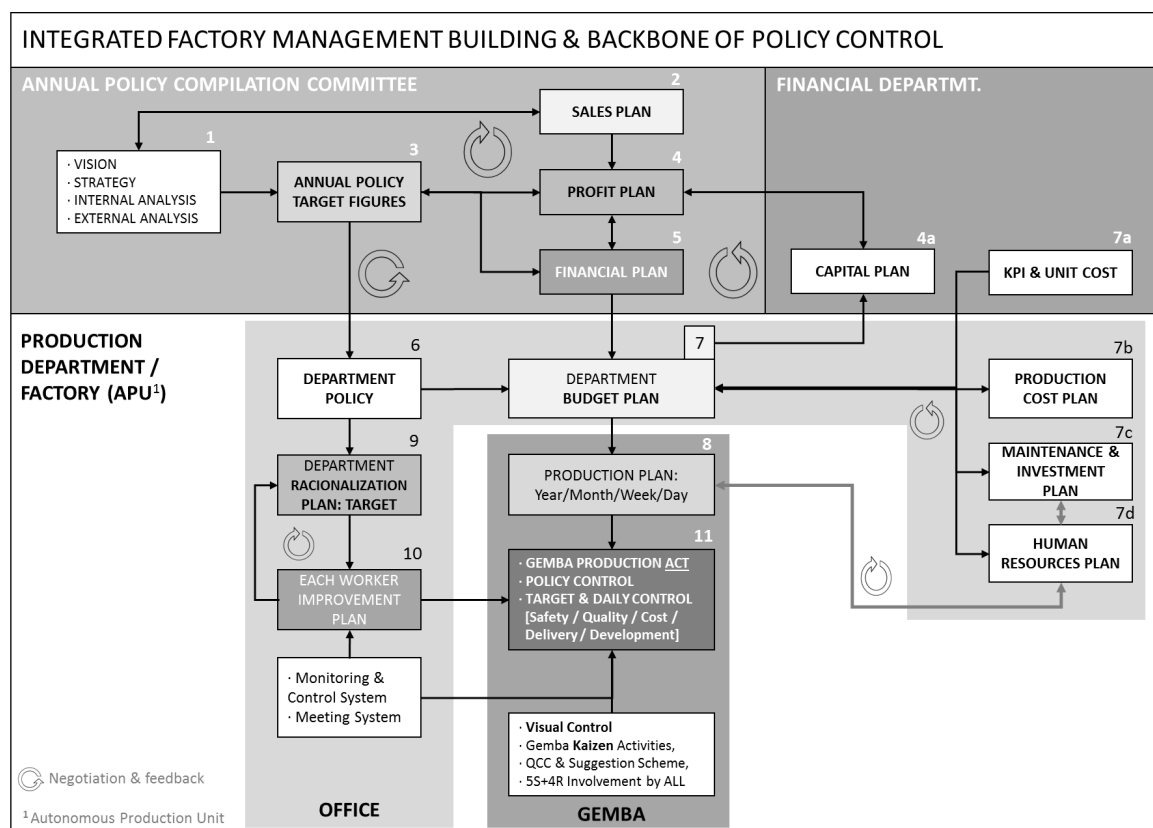
I had many workers in my office as I understand as 'indirectly workers,' direct Gemba workers and indirect Gemba workers in several functions as supervisors, material handlers, and shipping operators.

My tasks, as responsible for a Department, when it came to budgeting were:

1. Annual production plan (based on sales plan),
2. Rationalization plan (improvement)
3. Investment Plan for Machinery and Equipment,
4. R & D investment plan,
5. Personnel Allocation Plan (indirect, direct and indirect Gemba).
6. Based on these materials, the Department performs the Budget of Costs and Budget of Expenses and also (with the Budget of Sales) the Budget of Benefits.

The most important task of managers is to set up his/her departmental budget, as the future state of his/her department.

I show the flow and relationship of the annual policy to the activity of the Office and Gemba in the next figure.



But budgeting is that 'it is a task of the financial department' based on the data or **pre-budgets** transferred by managers of each department and **previous year's data and achievements**. Budgeting each department figures is a work of the Departmental Manager. But adjusting the budget to real figures is a very tough negotiation with all parties and along with the Annual Policy Compilation Committee.

The battle should last approximately one quarter and must be really tough between departments; it is done with the Finance Department for the negotiation of the investment, the effects that are achieved with the estimated investment and the target figures, in addition to the KPIs and other effects of **Collateral and Beneficial** in other departments.

The financial department within the **Annual Policy Compilation Committee** and with Unit-Cost data should set priorities within the annual policy and budget.

A Establishing accurate figures (7a..7d).

By the total target figures, which are cascaded down and assigned to each department, departmental target values are decided by the department manager, who together with the financial department, make the final proposal in a very tough negotiation.

B The Summary of the Action Plan of each Department Built (7).

After breaking down the target figures in the negotiation and final allocation, Department manager needs to break down into the following tasks using Budgets and Plans led to increasing efficiency across each and every Rationalization Plan:

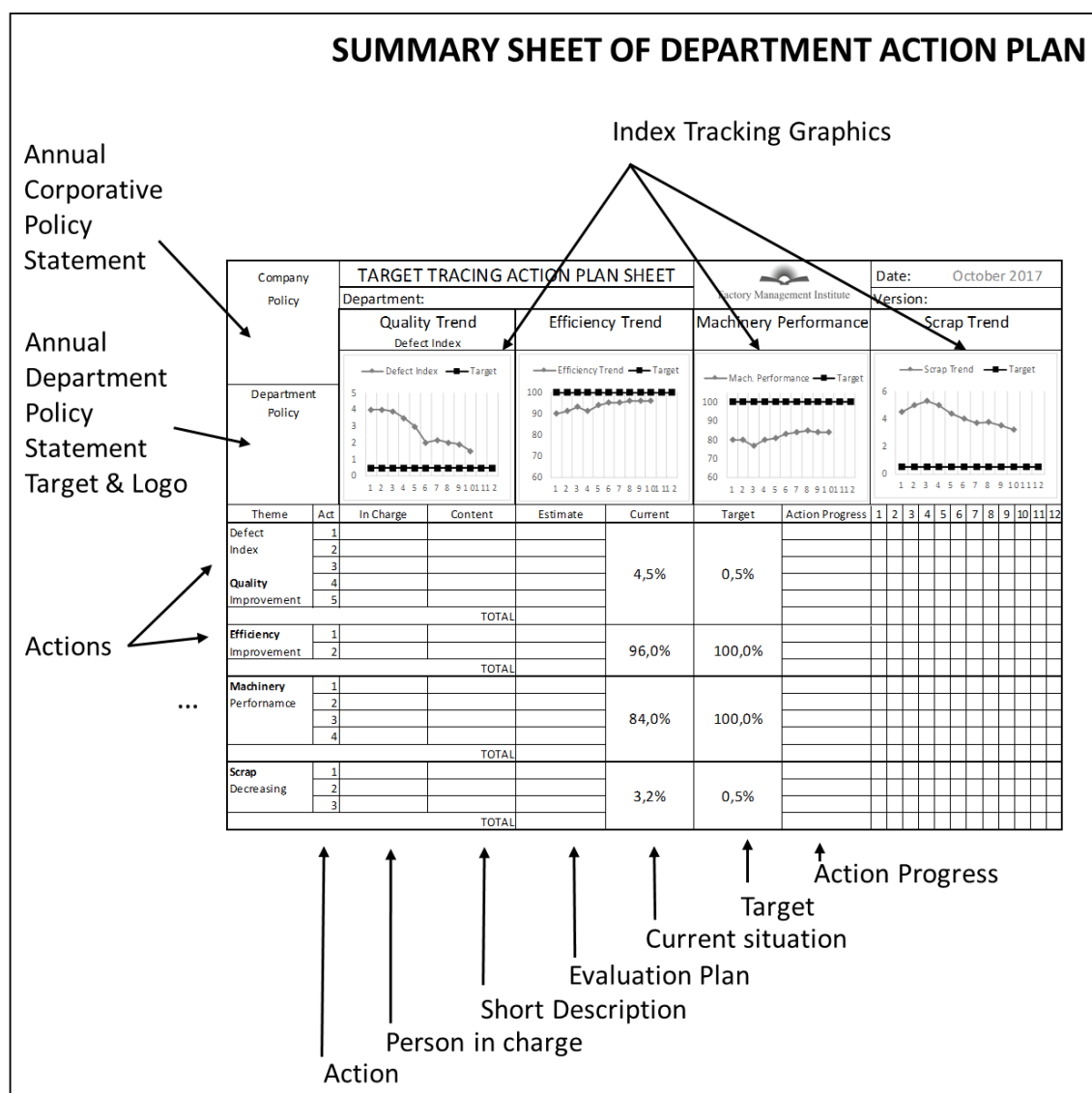
1. **Indirect workers (Office worker):** Rationalization plan (efficiency improvement).
2. **Direct Workers (Gemba worker).**
3. **Quality Improvement Plan**
4. **Efficiency Improvement Plan**
5. **Material Improvement Plan**
6. **Security Improvement Plan**
7. **Kaizen Improvement Plan (ideas or suggestion of improvement).**

C Building the Action Plan of each worker and Gemba (8..10)

During the Fourth Quarter and just before the starting of the new fiscal year, Department Manager needs to design the Departmental Action Plan in the form of a summary of the action plan associated with the staff on an individual basis. In this way, he/she will build the detailed action plan required and assigned to each person.

The example of the departmental action plan and staff is shown in next picture.

This page is a case of the first page and summary page of a department's annual action plan. It is also the unified format of the staff action plan.



I The Department's Action Plan Detailed.

Reducing customer claims, Reducing Costs, Improving quality, Improving machine performance, Improving machine performance and Improving material (Defect ratio, Waste ratio, Coefficient of total turnover: What it represents from the total turnover), together with Their actions and their plan of action.

This sheet is the cover and summary of the action plan. And it is "The sheet" that Managers go to check in the Management Meeting. The entire department plan, APU (Autonomous Production Unit) or Section must be included in a single A4. The rest of sheets are attached to it. They are the detailed action plans, always headed by this summary page.

II Describe the personal plan of action.

Detailed Worker's action plan is done just per worker. Individual action plan sheet is also used in the same way and has the entire annual Policy and departmental policy and target figures.

VALUED ACTION PLAN SHEET													
Budget	2011	Month 1				Month 2				Month 3			
Quarter	1..4	Annual	Actual			Annual	Actual			Annual	Actual		
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	TOTAL												
Profits Before Taxes													

3 Follow-up meetings (11).

I recommend designing and implementing a meeting system and apply the three important meetings.

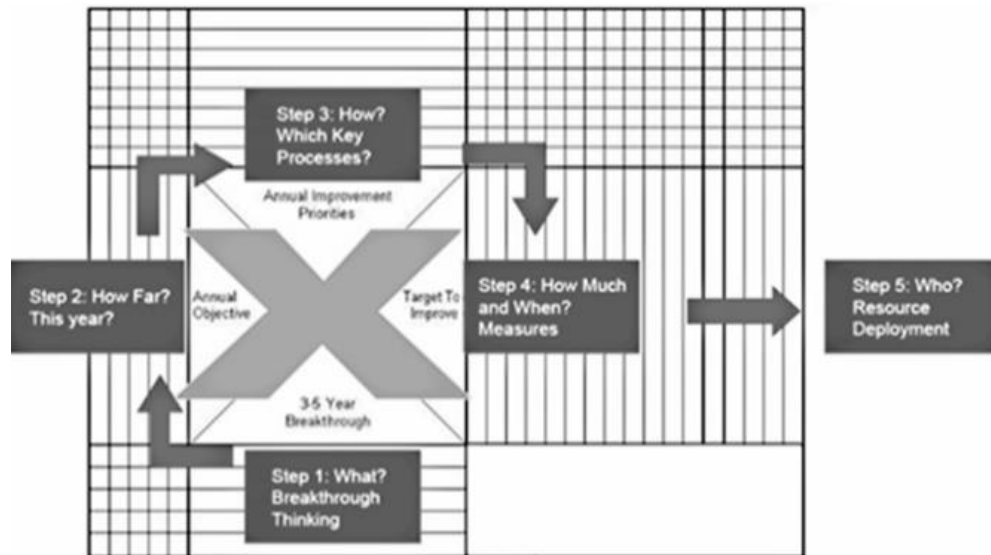
1. Meeting of the management team or Management Conference in two areas and different times:
 - a. Departmental Meeting;
 - b. Management Meeting.
2. Quality Review Meeting.
3. Production Meeting (Operations)

I describe deeply the meeting system in the column where I explain it in future.

Management Team Meeting is held monthly, and one of the main topics is the follow-up of the corporate action plans and each department. And before the **Monthly Management Team Meeting**, the directors of each department need to hold the internal meeting and follow up on the individual persons and elements of action set out in the departmental action plan.

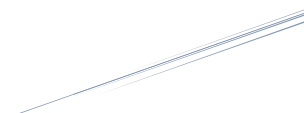
Using X-Matrix in Policy Control

It is generally understood that Policy Control (Hoshin-Kanri) can be established on a Matrix such as the one below.



I'm not saying that my format is the best. But I do not recommend such model because managers are forced to see several pages to get to the results, and it is also complex. It is an attractive format, but it is also a format more oriented to the satisfaction of the designer or oneself satisfaction, rather than oriented to the team that must verify and control these policies.

For the construction of the entire annual policy, the entire budget is cascaded down to the individual departments. And also, the annual departmental policy is cascaded down to the Office and Gemba and is done through daily production and action plans. Due to that flow, easiest and quick-to-see to see is best.



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VI Productive Activity and the Gemba.

The Gemba needs to participate in the finalization of the annual policy and the plan of action through the productive activity. Thus, we can use this updated sheet monthly, in a cascade down to the productive level.

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	Other expenses												
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Profits Before Taxes													

The example shows a follow-up during any quarter, but, of course, the annual plan extends throughout the fiscal year, from the first to the fourth quarter: T1..T4 and each sheet cover a quarter in A4 in a horizontal position.

On the sheet, you can see the columns corresponding to the Annual Action Plan, Current Action Plan, Result and Production Forecast for each of the quarters.

In the annual Action Plan phase and the Production Forecast, in all the cases, the annual production program is always based on the outlook of annual sales. In this case, the most important are the sales forecast.

1 The Sales Forecast.

Is the annual forecast of an unstable and changing situation useful? O We could also ask Is this forecast useful for a year that we know is not possible?

Except in some companies whose demand is very stable, this concern is correct. It is impossible to calculate exactly the forecast for the next month, much less a year ahead. The realistic forecast disappears. So, is not a forecast necessary?

Now, please think about these three reflections on the assumption of a non-existent forecast.

1. The annual production plan remains relevant because the purpose of it is to identify the scenario and the path for achieving the expected improvement.

The purpose of the sales forecast is to adjust for a given volume of production, how many workers, some fixed costs, variables, etc.

With this data, it is possible to calculate a flow of benefits or losses or even a truly dimensioned improvement to a particular production flow. Corrective measures can, therefore, be taken.

2. Systematize the countermeasures against the big differences on the sales forecast.

The use of ancillary provider, part-time workers, temporary employees, the absorption of excess capacity in departments within the company, etc.

On the other hand, it is possible to increase the accuracy of the forecast next month. It is thus easier and quicker to take action already foreseen in the action plan.

3. Improve the accuracy of the sales forecast. Once again it is not possible to expect perfection in divination, and there will hardly be a technology capable of knowing the future. On the other hand, the failure in the forecast of sales has two faces. One of them is a failure that we can minimize, and the other is the fault that we cannot reduce or eliminate. So we can never give in the effort to improve accuracy with PDCA based on statistical data.

Or do you still insist on **LEAN** and "Pull" in the sense of "eliminating the need for a sales forecast"?

2 PDCA

In Corporate Policy Control, the Action Plan is essential. And in most of Hoshin-Kanri's entire Internet description, the PDCA Cycle is highlighted.

– Why? – I wonder. – Why is the PDCA Cycle highlighted in Hoshin-Kanri?

In Bob's case, I saw the project's action plan and emphasized the success of the activity with the PDCA cycle and said that the "rate of return" was almost 70%.

– Yield rate? I asked Bob doubtfully. – What is this rate? – I asked.

– The relationship between the actual numbers of elements implemented versus the number of planned. – answered Bob, in a whole of security and complacency.

– It's the first time I've seen such a relationship in controlling a project. – Surprised, I answered Bob. – And unfortunately, the remaining 30% could not be implemented. – I asserted.

– No, sadly, 30% could not be performed. Also, some ideas were not completed, while some ideas were carried out, but did not have the intended effect. Even so, this is the real capacity of my company, and I need to improve this situation. – Bob said.

– Bob, to help introduce what you call "Lean Management," I have to teach Factory Management and First Policy Control. – And I continued.

– In the Control of the Politics, there are two categories, one of them is the revolutionary improvement, and the other is the continuous and common improvement. Its draft action plan aimed at increasing production capacity with the introduction of new machines and lines was in the category of revolutionary elements. Am I right? – I concluded.

– Yes, Koichi. The members of my project planned the ambitious ideas. And the activity was also carried out in the PDCA cycle. – Bob answered with a kind of sound of failure.

– But your dissatisfaction is the 70% success ratio, right? – he asked me.

– No, it is not. I do not have discontent. But, I would want a higher performance. And I need to make an additional recovery plan for the lack of that remaining 30%. – Bob admitted.

– Bob. Your way of doing a project plan has a fundamental error. PDCA is not suitable for any project planning and has two defects that are related to each other. – I said.

– I believed that the PDCA Cycle was used as a project activity. But why? – Bob finally asked.

I skip the rest of the dialogue.

In all cases I have seen and searched for information on the internet on the planning of corporate policies and implementation of a project within these policies, the PDCA Cycle is considered. But once again, I have to mention that it is a mistake and they never taught me this.

PDCA is Trial and Error.

Of course, the PDCA Cycle is widely used in Japan. However, when looking the cases closely, the use of PDCA Cycle is limited in cases of "test-and-error." This circumstance means that the result is assumed and accepted in case the implemented solution fails. Always, supposing that the implementation of the resolution of the problem will not cause severe damage to safety, quality, and cost. And it is used, also in the case of Gemba-kaizen.

As in the case detailing the conversation described below:

– Hum... it may be a good idea to change this tool to better access it in case you are away from it, which happens with this part that we have to process very often.

Operator may, also, implement it and realize, by itself, that problems, risks, and opportunities could arise with this idea.

Even into the Circle of Quality Control (CCC), I do not teach the PDCA cycle. I teach the CCC as an excellent means of Kaizen in the Gemba. But I do not teach the PDCA Cycle as a necessary tool within the CCC.

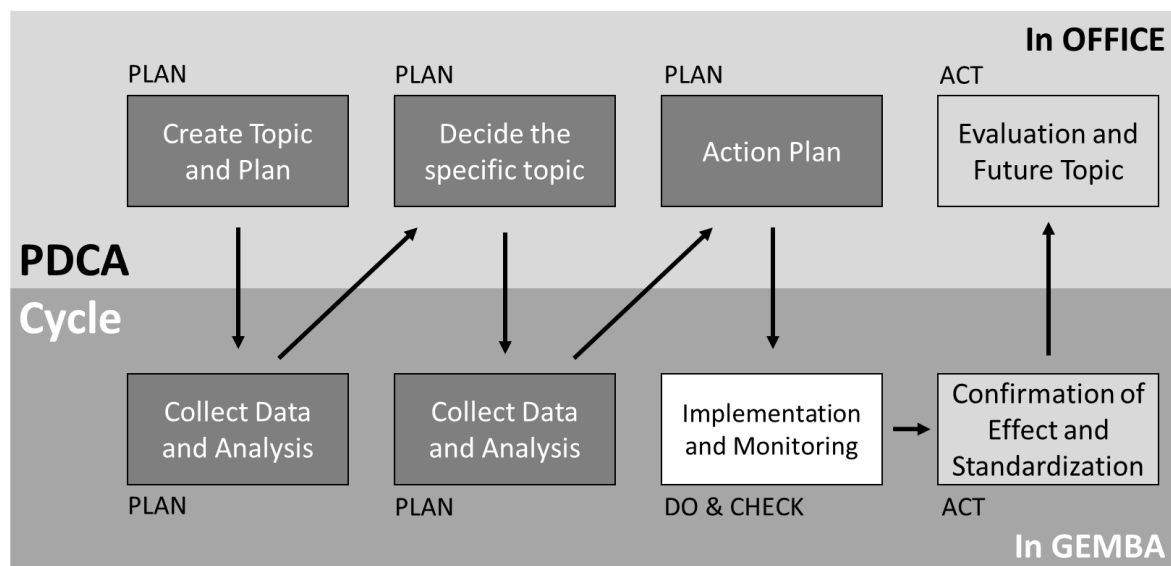
The reason for not including this PDCA training is because the right focus of the QC Circle is:

1. Central theme.
2. The description of the reason for choosing this topic.
3. Know the real situation in data collection and analysis.
4. Deciding centered that can be performed within three months (the duration of the activity).
5. Do creation of ideas with the feasibility investigation and the timetable for action.
6. Implementation and Progress Monitoring (the step of verification and action).
7. Do Confirmation of the effect. Standardization
8. Future Theme (on the main topic, raised in the planning of the Control of the Politics of that exercise).

As you can understand, this is the program raised by Kaoru Ishikawa in his book: “QC Story for Problem Solving⁵.”

The last scheme is the route of the cycle DMAIC⁶ of 6Sigma. Which is the method that is usually used for project control and it is combined with education.

My PDCA Cycle.



⁵ **Father of the QC Circle:** Prof. Kaoru Ishikawa :http://www.juse.jp/ishikawa/e/man/Ch10_Ver2_150717.pdf **List: Books, Papers, Videos, Slide films, JIS, etc:** http://www.juse.jp/ishikawa/e/man/ListBooks_Ver2a_150804.pdf

⁶ **DMIAIC:** An acronym for Define, Measure, Analyze, Improve and Control:
<https://en.wikipedia.org/wiki/DMAIC>

Once again. I mentioned that the PDCA Cycle has two defects for the use of policy control or project control.

The application of the PDCA cycle has two peculiarities that make it inadvisable for the deployment of Policy Control and Project Management: One of these effects will be described the particularities of the phase P-Plan, and the other one in the phase of C-Check.

PLAN

The P (Plan) is never the list of whims, desiring good and ambitious intentions or "what-will-be" and must have the following scheme of development in the Office and later in the Gemba.

Plan in the Office (5 dark boxes):

1. Define the Theme
 - a. Set the Theme (or themes);
 - b. Confirm the effect of the Theme on the vision and strategy deployed in the Control of Corporate and Departmental Policy;
 - c. Study of the Circumstances surrounding the Theme.
2. Create of IDEAS.
 - a. Make the Study of Viability of IDEAS in the following areas:
 - i. Current situation;
 - ii. Future Perspective;
 - iii. Methodologies;
 - iv. Financial Fund;
 - v. The Time Scale and;
 - vi. Human Resources.
3. Decide the concrete ideas.
 - a. Detail IDEAS;
 - b. Sketches and Accessory Drawings.
4. Concrete the method of evaluation of the effects. How it will be evaluated in phase C (Check).
 - a. Define indicators;
 - b. Define the documents and means of data collection;
 - c. Define how, when and by whom the data obtained are processed.
 - d. Decide the method of implementation:
 - i. Committee or;
 - ii. Project Management.
5. Define the Action Plan with defined and confirmed elements, in addition to the evaluation of (KPI) Key Performance Indicators.

Composing the action plan includes the design of all elements related to the "ACTION" in the Gemba. It is a task a bit heavy, but it avoids problems that we can find in the development of the D – DO phase.

For instance, in the case of a personal development consultancy, the P (Plan) phase requires more than six months, for composing an action plan, depending on the scale of the company and the subject to be developed.

When I have already done the action plan, practically 70% of my work is finished. The remaining 30% consists of training and real training in the Gemba, as well as checking the implementation process and progress of activities.

To further detail this first step of the PDCA, I explain in more depth the case of Bob.

He mentioned that the ideas put forward in his projects were "ambitious ideas." But, unfortunately, his ambitious ideas did not give the expected result, besides costing him a lot of money due to the high investment that implied.

Such cases as Bob presents to us, are not rare and much of the cause of this failure is the PCDA Cycle due to a lack of planning and a false impression that by applying the cycle, we will adjust the solution later to give the expected result.

A true story of abuse PDCA Cycle

When I was in Chile, I was invited to visit a factory. And when I visited the production gemba I saw a Japanese who was the maintenance engineer of Yamazaki Mazak (who is a famous manufacturer of Japanese machine tools.)

He was repairing a machine tool and when I asked about the situation, the Maintenance Manager told me:

– Last week, the machine had problems and stopped. – and he continued speaking.

– But, unfortunately, my maintenance engineers could not repair this machine. I then called the maintenance engineer at Yamazaki's Brazil technical center. But also and sadly, the machine was damaged in such a bad way that it requires some special pieces neither are found in Chile nor the technical center of Brazil. – He finish.

Then the maintenance manager was forced to ask for help from Japan and request the Japanese engineer to assist in the repair of the machine.

This "urgent" action took two weeks.

During these two weeks, the production line was interrupted. Then I was able to talk to the Japanese engineer and pre-asked:

- Why did such problems occur, far beyond a reasonable expectation?
- It may be that this company has not deployed the PM system (preventive maintenance). – he answered.

This company bought a new complicated machine. But it did not have the maintenance capacity and PM (Preventive Maintenance) system even though the maintenance engineers were trained by this machine tool manufacturer. This case also abuses the lack of a PDCA plan because the PDCA is nothing like acting on the go.

A plan is not the wish list. However, in the case of Bob and the Chilean Company and after a considerable investment, they could have expected a particular development. However, the fact is that they waste management resources and many opportunities through opportunity costs

CHECK

Another of the shortcomings of using PDCA in policy control is the checkup, but really ... what is Check or Check? And what goals do you have or what results or processes are involved in this phase of the PDCA.

According to Wikipedia, 'Check' means:

Study the actual results (measured and collected in "DO" above) and compare against the expected results (targets or goals from the "PLAN") to ascertain any differences. Look for deviation in implementation from the plan and also look for the appropriateness and completeness of the plan to enable the execution, i.e., "Do." Charting data can make this much easier to see trends over several PDCA cycles and to convert the collected data into information. Information is what you need for the next step "ACT."

But... what does means "Studying the actual results"?

In Bob's case, after buying machines that involved a significant investment, we really should ask ourselves if we can check the results are real or not.

And in the case of the Chilean company, after the repair of the Japanese engineer, still more problems arose, and finally, the factory revokes the machine. That is, what results can we compare with what is expected to estimate the decision to make?

These kinds of decisions, I consider them a joke. That is to say, Dare to plan, purchase, and liquidation of the machine, when there is no data on the actual production nor was it possible to collect the output data.

Now... "Information is what is what you need for the next step -ACT-"

The effect of this phrase, alongside ACT, is that a failure is actually expected in the achievement of the intended goal. However, this attitude should not be accepted in the Action Plan of Policy Control. And if there is any possibility of failure to achieve the goals envisaged, the preventive approach is the best alternative and must prevail over corrective action.

That is to say, the feasibility study and the "risky" approach in the investment are the essential and appropriate attitude to face the PDCA cycle correctly.

Personally, I do not give my full trust to Wikipedia. However, it does show a general understanding of the PCDA cycle.

To finish up... What is the purpose of "Check"?

The aim of the check step is to make sure that the process generates the expected progress.

Of course, a Check cannot be adequately applied if countermeasures are not properly defined in an in-depth Plan (Planning) phase, as explained above, especially about the potential problems that can be generated, injuries or damages.

Of course, it is important to collect the data and "Check" after the installation of the machine. But, too, it is too late because the investment has been made and the timing of the forecasts and definition of countermeasures to potential problems has ended.

Therefore the purpose of the inspection or check should be the process and the progress. And never the activity of data collection and analysis to support an action.

Theory and Method in the Gemba

I'm not saying that PDCA is wrong, but like any theory, only under very limited conditions is entirely correct.

PDCA is useful in the activity of small improvements in the Gemba-kaizen, which can be enabled trial and error. The spirit he develops is "Let's do it anyway." Also, PDCA is useful to challenge towards a next step.

Therefore PDCA Cycle is correct. However, it is not at all possible to use it in any case.

For example, in the "Pull" system in TPS (or also called Lean, if you want to use this denomination).

The "Pull" system can be utilized under a limited condition. Thus, it would not be possible to apply it in the case of a manufacturer of, for example, Chocolate, which could have a high demand, but with an exclusively seasonal character.

JIT, the Pull system, etc., are theories. And theory, as such, can not be used in a Gemba.

For using the theory, an adaptation to the particular circumstances of the Gemba is required on each occasion. And the necessary adjustment is Gemba's obligation. Thus, the ability to apply and modify theories is a large part of Gemba-Ryoku or the Gemba Autonomous Nerve able to Regenerate.

For instance, "QC story of problem-solving"⁷ and DMAIC⁸ of 6Sigma. These both are variations from PDCA cycle.

W. Edwards Deming and Walter A. Shewhart are scholars and experts in statistical development. They taught and were precursors of statistical quality control. And generally they were great scholars of the theory, but they really were not experts in the development of their theories in Gemba.

⁷ QC Story: https://en.wikipedia.org/wiki/Quality_storyboard. QC: https://en.wikipedia.org/wiki/Quality_control

⁸ DMAIC: <https://es.wikipedia.org/wiki/DMAIC><https://en.wikipedia.org/wiki/DMAIC>

A scholar studies in depth a narrow range of a specialty and creates, in this way a theory, like those developed by Deming and Shewhart. However, the application of his theories in the Gemba require a vast tangle of other generalist knowledge and adapting them to the Gemba.

His theories have been critical in the development of the world. But again the theory must be applied by Gemba using an interpretation and an adequate modification.

And as a summary, it is necessary to introduce the words of a pioneer, although I recommend reading the note that accompanies and explains certain passive attitudes:

"The person who does the things I said is foolish.

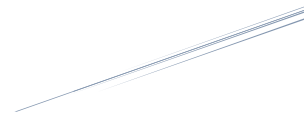
The person who does not do what I said is foolish.

And...

The person who surpasses the things I said to him is intelligent. "

Taiichi-Ohno

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VII Effectiveness of Backbone Management.

I mentioned that an Annual Policy Control is the backbone of the factory management. But why?

Annual Policy Control is the backbone of factory management because all factory management activities are integrated into the annual policy control flow. But why?

Factory management activities are integrated into the annual policy control flow because any activity such as production, routine office and daily work, Gemba performance improvement activity and other similar activities are integrated into the control of Annual policy.

It also improves Gemba performance by continuous improvement, as one more of the factory management activities integrated into the annual policy control.

The Control of the Policy is supported by the control of the objectives and by the daily control. Also the activity cascades down to the workers, including the individual workers in the Gemba. And even the new workers in the Gemba or new office employees must have the job defined and the time set to attend the improvement activities so they can meet their target figures.

An example of improved quality in Gemba.

Within the activity in the production Gemba, the individual worker is given what is called a **challenge card**. This letter describes the policy deployed by your department, the corporate policy and the quality, safety and efficiency objectives assigned to it.

Below we describe the content of three of these challenge cards:

1. A worker on the line.

12-month calendar for the fiscal year.

Goal of the month: (eg, June).

“ This month I focus on the goal of ZERO DISPOSITION ERRORS”.

Declaration of zero defects in only part of your work.

2. Group activity.

Our group is focused on improving the quality of a product with a current defect rate of 0.3% and a realistic target of 0.1%. To obtain this departmental quality rate, we will develop and improve our templates.

3. Circle of quality control.

The supervisor's statement for this quality circle:

During this exercise, my objectives within the section are to organize 6 QC Circles and get to win the president's award for the implemented improvements.

These are examples of the activities to be carried out in Gemba, based on the Control of the Annual Policy and the objectives set within it.

As a front-line Gemba worker, there are many different objectives that can be raised, in line with the objectives of your department. For example,

- Obtain level 5 from the current level 2 in welding skill during this year;
- Obtain the highest qualification in Health and Safety from the director of security;
- Create 4 ideas per month within the suggestion plan.

The graphs corresponding to the activity of each worker also stand out on the great plots of the bulletin board in the Gemba. Of course, these data are followed by team leaders and supervisors and are part of the indicators that the HR department must consider to reward workers based on objective and measurable data.

Also, the above activities can be visually followed their evolution within the annual departmental control plan, among other data, the following:

1. The number of quality control circles (QC-Circle);
2. The activities of each group;
3. The number of suggestions are provided in the departmental action plan;
4. These activities are also the topics of integrated management in the Control of the Policy.

But ... yet why are factory activities integrated into the flow of Annual Policy Control? And Why a Policy Check is important as the backbone of management?

Suppose, in the previous example, that the actions designed and executed to improve the quality are not sufficient and the effort results in the failure. To improve quality, it is necessary to provide a historical context.

A human being requires a justified motive and a historical context in which the activity is developed, as well as a framework for action.

And the best context in which improvement actions can be developed is the control of the annual policy. The annual Policy is the best context to encourage the motivation of the worker in the Gemba. Because the worker is offered an ideal framework, in which he can devise and act with the assurance of not being admonished for having ideas, whether good or bad, may not be alienated by corporate policy or even well-intentioned and Good, may be redundant with other efforts raised by the company in another or similar area of work.

Another example of effectiveness in improving the Gemba.

The above example is based on Gemba activity. The history detailed in this point is the history of a staff activity.

When I was in the UK, one of my interlocutors was the general manager. He was an "excellent" manager. Why I rate him as excellent may be the subject of another story, but one would not speak of excellence in this case.

He was a man of ideas and also of preconceived ideas, which were sometimes not easy to apply in the daily work routine of the engineer. However, it occurred to him to implant several ideas, ideas that he considered good.

Thus, he ordered his workers to implement the ideas immediately and with the utmost urgency and priority. Not content to do it once during the year, it caused similar changes several times a year.

As a result of these "ideas" the action plans that were planned through the annual policy were always delayed, some of them indefinitely.

The supervisors and engineer expressed their complaints because before the end of his previous "idea", he was already raising a new "idea", also, with the highest priority and urgency.

At one point, the manager announced a new project. The project was the SCM (esp. Supply Chain Management, eng. Supply Chain Management). The tendency at the time was to integrate this methodology into corporate management. In this way, the introduction of the SMC was prioritized by management.

As a consequence of this prioritization, outside the annual plan and even long-term plan, many other "ideas" had to be stopped short. Of course, for my part was expressed a total disagreement with the measure and the opinion raised by the manager.

The dialogue with the manager was something similar to:

- Why bother to finalize the action plans that is provided in the annual policy? – I questioned and continued to question his decision.
- We plan annual policy based on vision and corporate strategy, right? – I asked again.
- Then ... It may be a good idea, but I honestly do not think it is effective to change the goals in the middle of the fiscal year and give absolute priority to new ideas. – and I concluded.

- It is effective to implement the "ideas" at the necessary time. Time is important. And when it is necessary, "ideas" should be given the highest priority. – He assured her confidently and continued.
- Besides, it is important to put into practice the concept of "necessary materials at the necessary time", such as JIT or to persist in the current activities proposed in this "idea."
- He said.
- Your way of managing the company generates an unnecessary confusion between the workers and in the Gemba. Improvement activity is introduced inefficiently, causing disruption and confusion. There is also a limited number of resources in engineering and the current situation, together with the situation arising from the inclusion of this new "idea", generates an interruption of previously ordered activities and generates poor efficiency of workers and the Gemba. – I commented politely, and continued...
- And as the company's chief officer, your most important task is to allow, encourage, and of course, use all the capacity of your human-resources and Gemba. – and I continued a little surprised ...
- Your management method prevents, not only the effectiveness of people, but also affects their motivation. Of course there are cases and actions that should be given the highest priority of the annual plan, however, only actions related to serious failures in QCD (Quality Control Delivery) and CS (Customer Satisfaction). – I concluded.
- "You told me about the manager's most important job, right?" – He asked me rhetorically.
- Well then, it's this: "The manager's important task is to unite all people in one direction." I'm right, right? – He asked again to convince himself, and continued. – Of course I'm right. And the pivot is me. It is not like this? –
- Of course, your view of the unification of all people and their need to be the pivot is correct and right. – I asserted with certainty and continued.
- But my statement is headed towards a certainly different end. The pivot of unification of all people is the annual policy and annual policy action plan. Thus, planned activity in the annual policy should be the pivot. – I explained him politely.
- So, you say that the existence of manager is not necessary after realizing the annual Plan of the Control of the Politics? – He questioned. – This is my division and I do everything I can to improve it. –
- Please do not misunderstand me. The existence of the manager is important to complete the work. – I continued listing. – The manager's job is:
 - **Firstly:** Create the annual policy and action plan, in addition to the delegation of functions;
 - **Secondly:** Support and help complete the work of subordinates;

– **Thirdly:** Motivate people to successfully complete their activity – and I continued.

– What you are doing is going against these necessary attitudes of the manager. You should never act like a tyrant. – and, in so way, I ended my little lesson.

The rest of the conversation, although much longer, does not need to be transcribed. Anyway, I was too young. But, I transcribe the story through which his inadequate form of management was corrected.

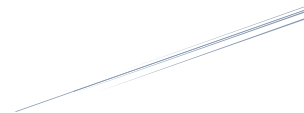
It is necessary to take into account the efficiency in the execution of the activity and the motivation of the people who execute it. In the action plans, we have to consider the indicators that inform us of the efficiency, the capacity of the people and the Gemba. And you should never overload or impose missions that may be impossible to fulfill.

If a manager devises good ideas, they should be kept in his pocket. And priority should not be changed unless a critical situation arises.

THE MANAGERS ROLE

1. Create the annual policy and action plan, in addition to the delegation of functions;
2. Support and help complete the work of subordinates;
3. Motivate people to successfully complete their activity.

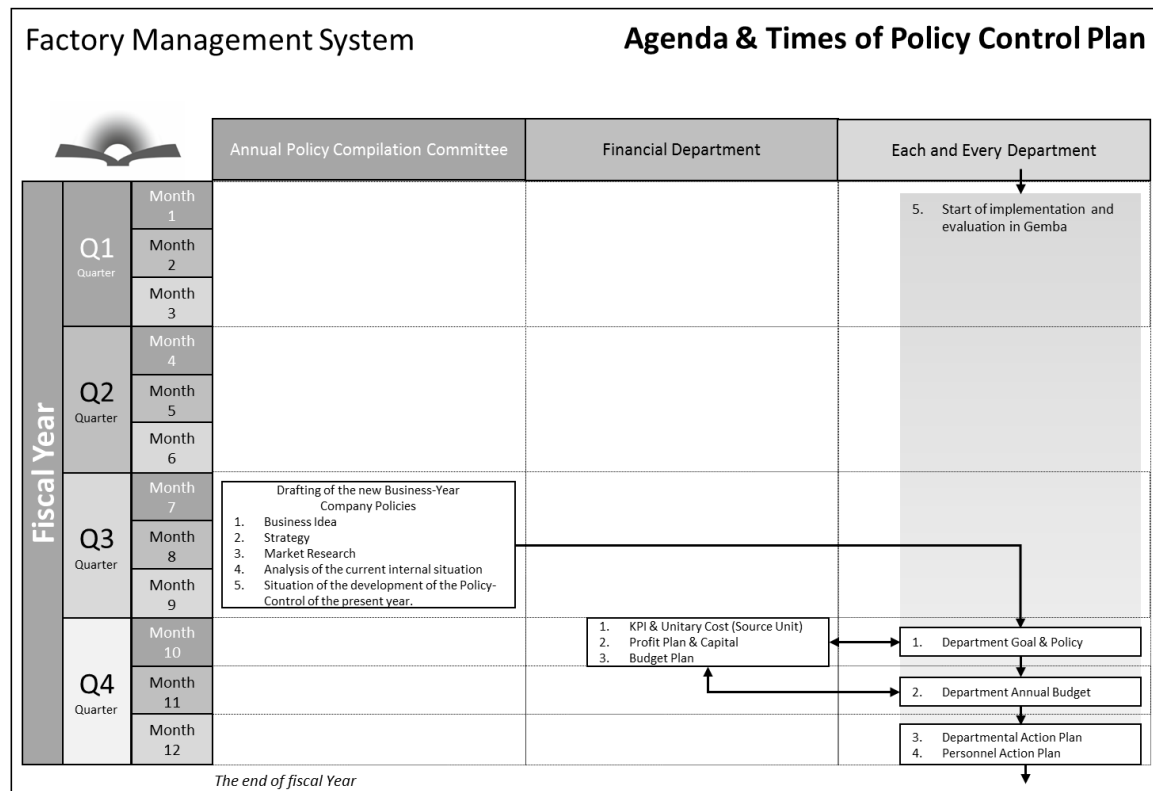
And... If a manager devises good ideas, they should be kept in his pocket for the next Plan of Corporate Policy. And priority should not be changed unless a critical situation arises.



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VIII Agenda & Times of Policy Control Plan:



The formulation of the policies and their delegation to all the people of the company starts at the beginning of the Third Quarter (Q3) of the fiscal year.

Agenda from the first month of Q3 to the third month of Q3 is:

1. Establishment of the Annual Policy Compilation Committee.
2. Agenda of the Commission Compilation of the Annual Policy.
 - a. Propose and write the statement of the president based on the philosophy of the company, vision, and strategy in the long and short term;
 - b. Write the list and the numbers of the objectives, based on:
 - i. Analysis of the current market situation and market outlook;
 - ii. The current internal situation and the internal prospects;
 - iii. The prospect of sales;
 - iv. The objective situation of the current policy and the long-term prospects.
3. Financial Department
 - a. Unit cost: In this phase, the financial department is required to calculate the cost of each standard physical unit.

Agenda from the first month of Q4 to the third month of Q4 is:

1. Financial Department Agenda.
 - a. Benefit plan based on the proposals of each department and the production plan, personnel plan, machine plan and equipment, Costs Plan, Rationalization (Improvement), Plan of investment plan / R & D. In a negotiation with Each department in a harsh and arduous negotiation;
2. Corporate financial plan based on previous forecasts;
3. Corporate Budget Plan based on the above materials.
4. The Department Director have to compose:
 - A. The policy of the annual department and the state based on the company's policy and the characteristics of its department.
 - B. Departmental annual action plan and action plan for the individuals.

Delegation and All people's participation: 'Persuasive Relevance' & 'History'

The aim of making the agenda set out above is to create a "history." A history in which people who make up the company feel integrated.

In order to achieve all people's participation in this "history," it is relevant that they feel "**persuasive relevance**."

Persuasive Relevance is an abstract concept, but it is summed up in the feeling of satisfaction generated by the awareness caused by the importance and appropriateness of actions made by all workers, in the context in which they are developed. That context is the "history", and the employee must feel the "**persuasive relevance**."

"History" speaks during the dates corresponding to the change of year to all staff directly through the president. Or in any case, by all the directors, in the name of the president.

I said "by the president and directly," yes, but if the company is large and has many factories and facilities abroad, it is not possible to speak directly at an annual conference. Therefore, this case uses the television message.

Thus, the new motto and logo can be found in all areas at the same time. It is also published in the magazine of the employees and on the first page of the intranet with access to the workers and always on the first page, the content of the president's speech.

IX New Year's Speech



The announcement of the Annual Policy 2010 by the President of Sumitomo Corp:

Good morning everyone. Happy New Year!

Before starting work, I like to announce my annual policy of this year, and I ask your cooperation.

1. Firstly, the activity of profit recovery.

Last year I expressed the same policy, and we were able to recover the profits, but unfortunately we couldn't achieve the target as planned.

After the recession of the world economy, with its excellent activity and effort, we were able to recover the profit situation quickly. This point I would like to express my gratitude.

But the situation of the world economy is still severe especially in Europe and will continue this year and up to 5 years.

Last year our business was helped by the economy which now China is a world economy engine and will be.

In the situation of the economy and the tough position, again I express this year's policy which is the V-shaped recovery of profits in succession.

2. The strategy of Vision "12".

We made the strategy of vision "12" in the year 2008 that is to realize the goal until 2012, and the goal is

- *Consolidated sales: 6,000 million (us dollar.) per year.*
- *Global market share: 25%.*

The situation of the world economy is and will be very severe continuously.

And especially the European economy is going down and will be more severe. Another part, the US economy situation. The USA is looking for improvement. I believe that China which is a world economy engine will maintain the number of 7 ~ 8% of economic development.

The economy of Southeast Asia is also in a way to improvement in its economy even there are still some elements of anxiety.

And even in its difficult situation, I like to maintain this strategy with the acceleration of the activity of Reduce Cost, Develop Quality and Extension of international business. To carry out this strategy I ask your work and your effort.

The activity of the "Products Force First."

To realize the Vision "12" strategy, let's begin the activity of the "Products Force First" again. This activity is taken place three years from 2010 to 2012. Let's develop the activity of strengthening the capacity of our products.

In increasing the "strength of products" which is to increase the capacity of "New Products Development," the "Proposal in anticipating the Customer Needs," the "Proposal Capacity" we can gain the customer satisfaction.

3. The basic concept of 2010.

As a part of the 2010 policy, I like to ask you next concept.

1. **Simple:** Simple and Easy to Understand.
2. **Consideration:** Thinking Deeply.
3. **Communication:** Good communication and cooperation.

I ask you to take problem and phenomenon simply, inform counterparts, grasp the essence of the problem and consider in following the truth. In addition, I think that with good communication, improve the ventilation between organizations and following broad opinions can increase the strength of organizational capacity.

Then I ask to work you with this concept.

4. Finally Safety.

I like to talk about the safety issue. In 2009 unfortunately, two accidents with hospital happened although we could reduce accidents of without hospital.

I am very sorry to those persons concerned and their families.

It is very clear that it is necessary to offer the safest workplace.

So I ask the next actions to continue.

1. *Safety Check in all workplaces and measures.*
2. *Activation of Preventive Security activity (Hiyari, Hatto).*

Finally, I wish you to have your health and happiness in this year.

Thank you very much for your attention.

All people's participation.

As I wrote earlier, the policy control activity has 2 phases which are:

1. The particular elements related to vision, strategy and as special innovation, for instance leading to the expansion of business. In addition to the common development of these improvements in safety, quality, environment, customer satisfaction and cost reduction, profit recovery, improvement of cash flow, expansion of sales, etc.
2. It is essential to share the goal and effort with all people: "FROM TOP TO BOTTOM."

Thus, concrete activities must be cascaded down to all individuals, not only to the office workers but also to Gemba assembly line workers, machine operators, and other workers.

Flying notes of Master Kimura

Types of Accidents

Within the SUMITOMO standard, there are 3 categories depending on the severity of accidents:

1. **Mercurochrome Accident:** No hospital and do not leave the work;
2. **Accident without hospitalization:** No hospital, but leave the work;
3. **Accident with hospitalization:** It is necessary to take the person to a hospital.

Hiyari-Hatto

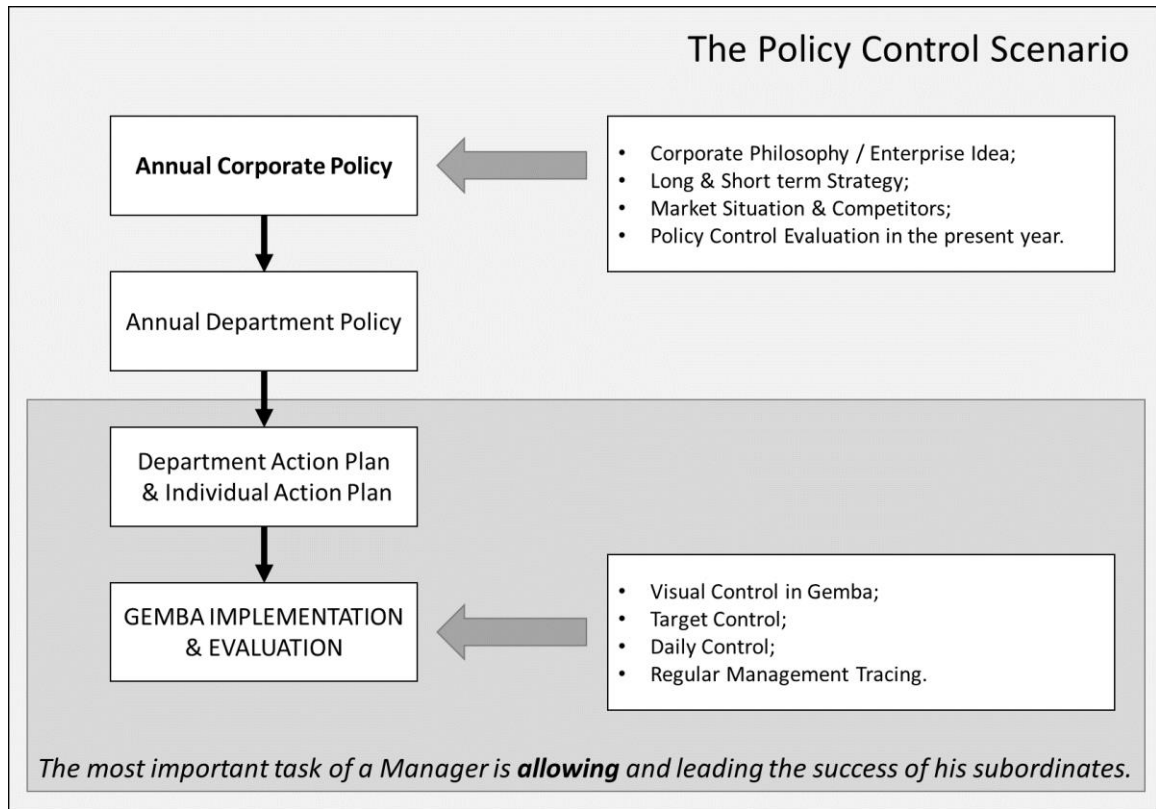
Experience of "*Near-Situation-of-Accident*".

Worker must inform:

1. Any situation or prevailing conditions in the equipment / work area, which has the potential to create an accident.
2. Any operation difficult to perform / carry out.
3. Any operation that improves the safety of the equipment or work area
4. Any modification in the standard operating procedures / operational control procedures that contribute to the prevention of accidents.

X The Policy Control Scenario

...An Important Engine for Corporate Development.



1 Evaluation of the development of Control Policies.

Activities are supported, aided, promoted and evaluated by management.

The evaluation consists of 3 phases, which are:

1. Assessment of the degree of challenge;
2. Assessment of the progress of the activity;
3. Evaluation of achievement of the goal.

And the evaluation is ultimately related to the salary that workers receive.

Progress toward achievement is checked in the daily control and the monthly review meeting.

The scheduled activity must have happened, and then the manager's task is important. I would often say that this important work of the manager is to promote the success of his subordinates. Therefore, communication and dialogue with all subordinates are important.

Remember that Policy Control is "CONTROL" and a manager has to observe the process and progress of their subordinates. These must progress along the marked path and achieve the expected results. And if not, the manager has to help and advise them before derailing.

A Gemba worker should also assist in controlling the policy through daily activities that are production, kaizen, safety suggestion, teamwork and 5S and 4R activities. You also need to set your monthly goal. Your monthly goal is highlighted on the bulletin board and your "challenge letter" in your work clothes pocket.

The ideas promoted by their monthly objectives are a crucial point in improving quality, reducing waste, in safety and health, in improving the level of skill of the staff. Individually, these ideas are not significant improvements compared to corporate improvement but are achievable goals and small improvements that have a cumulative effect on the total company.

Of course, their activities are evaluated monthly and visually. And here we should introduce the example of "monthly evaluation."

2 Hitachi-Metals Factory in Thailand



This factory, founded in 1991 and 25 years old, is exemplary in many ways, but mainly due to a rate of 0.5% in the turnover rate of workers.

I have known many companies, but I have not seen a high sense of belonging to employees outside of Japan. For example, in Chihuahua (Mexico) the rotation rate is 15% -20%. In Bangalore (India), the average rotation rate is around 15%. The workers leave the company very easily and with small differences of well-being. Also in the People's Republic of China, the rotation rate for 2012 was 30% in total and 35.6% in industry. Suffering this rotation, it is not possible to expect that the succession of skill and knowledge is adequate for the survival of the company and still less to apply the appropriate Control Policies.

I have lived in Mexico (Maquiladora) and in India (Bangalore). And in these countries, I have been particularly concerned about the education of skilled workers and engineers because this education is essential to the continuity of business activity.

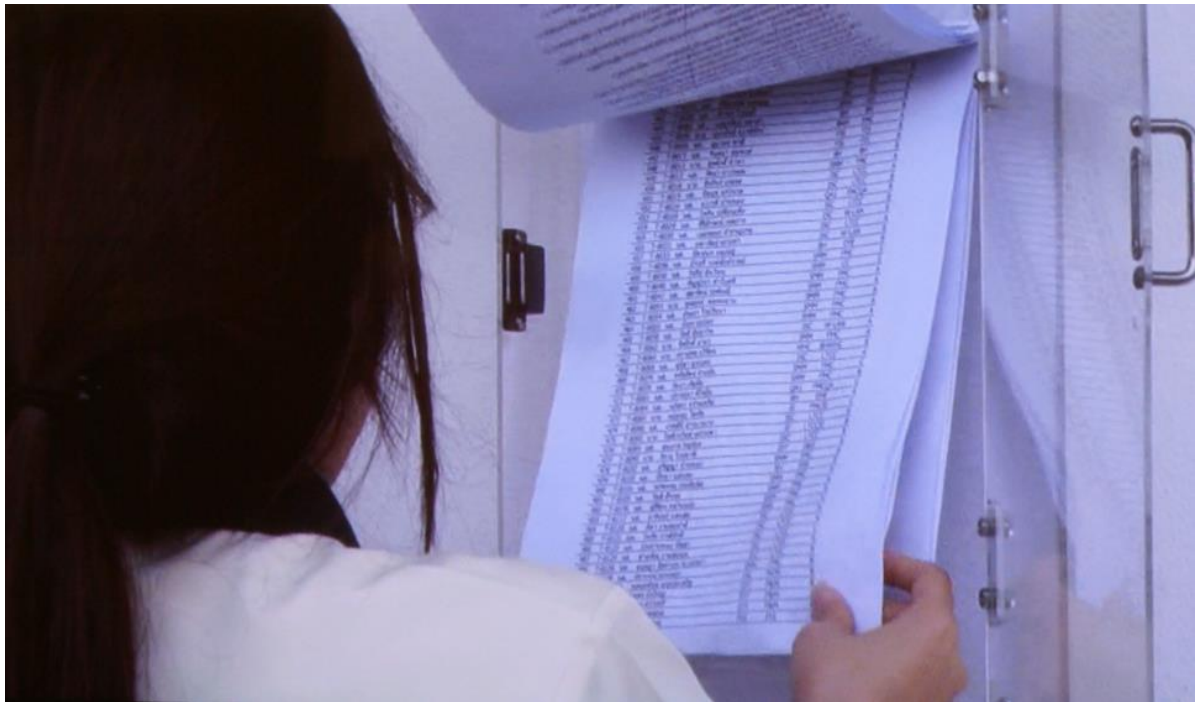
Today the high salary is also one of the areas of serious concern. However, this problem of high salary is not related to the overall quality of the company.



↑ A morning meeting view.



↑ The bulletin board at the entrance.



↑ The bulletin board shows the summary sheet corresponding to each worker's score on the compliance scale of their challenge letter. This woman found the result of her last month. Her score improved from C to B. And she challenged herself again to earn A grade.

3 The sense of belonging and business success.

Why is the sense of belonging and morale so important in the success of the company?

If you look, many successful business workers have worked in it for over 20 years. But why?

The impartial evaluation:

The first answer is related to an impartial evaluation and no, I have not been confused.

I will write on the subject of moral good, the sense of belonging and the relationship they have over the high or, where appropriate, low turnover, but a little later, in the column that I will dedicate to motivation.

In this case, the example I present here, about Hitachi, has a slightly different purpose.

In the case of Hitachi we can see how the delegation of the annual policy occurs towards the specific activity of the individual worker and how their subsequent evaluation occurs.

With this example, we can see a good example of the evaluation. With this good human resources management, we can achieve a good result with a low turnover.

Again, the Annual Policy has 2 phases. And the second phase is closely related to the common development of general improvements in Safety, Quality, Environment, Customer Satisfaction and Cost Reduction, also the recovery of the Profit, improvement of cash flow, sales expansion, etc.

In this way, even assembly line workers need to have their own objective in planning their contribution to general and departmental objectives, within the annual policy.

There are cases in which the objectives are not directly related to the improvement objectives of the factory directly, but with personal improvements. Although they should always be balanced goals with the ability of each.

Most of its objectives are related to process improvement, including security. But in my past experience I have found a single goal set by a mounting-line worker. That objective were to read Genji Monogatari⁹ during this Year.

In fact, it's an excellent challenge. This worker graduated from high school, although he did not graduate from university.

Genji Monogatari: The story of Genji, written by Murasaki Shikibu around the year 1008, corresponding to the middle period of The Heian Era. It consists of a set of 60 volumes with about one million kanji symbols and a total of 2,400 pages of size similar to the A4. It tells the story of the prosperity and anguish of a fictitious imperial prince by the name of Genji.

These texts are truly difficult to read and understand due not only to the total volume of the text, but also the phrases that are written in the old words.

This love story is truly long and tells the customs of the upper class and culture of the Heian period with great accuracy and detail.

As a result of this worker's proposal, his goal was accepted by the administrator. But, however, the worker's direct supervisor was worried and confused, because he had not read the story and could not understand it. In addition, and apparently, its objective was not aligned with this departmental policy.

The Supervisor then asked the Manager why he had accepted that goal.

⁹ **Genji Monogatari:** https://en.wikipedia.org/wiki/The_Tale_of_Genji

The manager replied to the supervisor that he was right, that indeed that goal was not aligned with our objective directly. However, it does raise your personal level and your spirit of challenge will generate a good influence on our factory. So please encourage this person to complete it.

I will describe this topic again in the column dedicated to motivation.

Belonging sense & Corporate Culture.

Do you remember that I was asked to attend a teleconference and finally I was not required to comment on the discussion? You can retrieve paragraphs written about the issue in Factory Management-1.

In this teleconference, the theme of the group, residing in the United States, was: "The Development of Excellence in Chinese Enterprise" and also discussed why China cannot win the Nobel Prize in the field of Sciences.

However, they unilaterally drew up a list of improvements to be developed by the company and, in particular, the Chinese economy.

For my part, I suggested to you to discuss "Cultural diversity and transmission of culture and tradition". But they could not understand why he recommended to consider and discuss this issue rather than to concretize some measures in a rational way.

Thus, I explained the following matters from my personal point of view.

For developing countries and, similarly, for business, it is important to cultivate 3 related conditions, which are:

1. The level of education;
2. Free time and;
3. Cultural Diversity, Transmission of Culture and Tradition.

A Level of Education.

I think there is no doubt about this very important point in country development. And it relates to leisure time or, in other words, a high standard of living or a comfortable life. "

At this point I must introduce a thought about education by the hand of Professor James J. Heckman: Economist and Winner of the Nobel Prize in Economics of the year 2000.

Professor Heckman, in his recently published interesting new book, describes Personal Skills as Cognitive and Non-Cognitive.

The field of Cognitive Abilities is possible to measure by performing a test similar to the intelligence test. Thus, the achievement of the test could certify this type of skills. On the other hand, within the field of Non-cognitive Skills is Motivation, Will, Cooperativity, Resilience, Patience, Planning Capacity and CE (Emotional Quotient, QE-Emotional Quotient), CS SQ-Social Quotient), CA (AQ-Adversity Quotient), CM (Morality Co-ordinator, MQ-Moral Quotient), CC (Creative Coefficient, Creative Quotient), etc.

And as you know, the left hemisphere is the specialized organ in the field of Cognitive Abilities, while the right hemisphere is specialized in the field of Non Cognitive Abilities.

Professor Heckman then defends the importance of education in the development of Non-Cognitive Skills in childhood, from 3 to 5 years. It also describes the importance of continuing to cultivate Non-Cognitive Skills, after 5 years of age, within a suitable environment.

The Professor and Nobel Prize also defends the importance of Non-Cognitive Skills for the future success of children. And in this I think about the success of the factory management system.

But ... What about the situation in China? I do not really have exact figures, but my belief is that education is very focused on the field of Cognitive Skills. However, it does not seem that the first two factors that determine the development of a country, which are: The level of education and Availability of free time or wealthy life, are of decisive importance in China, because in modern China the middle class and the upper class, both are increasing considerably at a very rapid rate.

The area of concern in China should be "Cultural Diversity and Transmission or Succession of Culture and Tradition" which in themselves are defined as Non-Cognitive Skills within what is Corporate Culture.

B Cultural Diversity.

The best example of this cultural diversity and the objective results that it obtains is for example the United States of America. The population of the USA is about 320 million people and China's population is 1,368 million people. That is almost more than 4 times more.

The circumstances that differentiate the USA from China are many and varied, but basically the United States has ALL cultural diversity and the remaining two conditions, in addition to being a free country with very high legal security.

On the other hand China has the capacity and potential to create and maintain cultural diversity because it has a very wide variety of cultures in its territory, including from annexed territories such as Tibet, however, China does not allow these cultural differences that are Development.

If China wants the position of the first class, cultural diversity is fundamental, as it has been in the United States of America and it is also in Europe.

C Transmission and Succession of Culture and Traditions.

When in the last teleconference I discussed the importance of the transmission of Culture in China, a member of the group mentioned the following phrase: "4,000 years of China's history." This expression is very popular in the world. This expression with a historical example.

History is not only about the relative passage of time, but the continuation of culture. (I know, I know, I might have a divergent opinion. But I like to teach the facts as they really are).

Succession of Japanese Culture by the Japan's Emperor.

His Majesty, Emperor AKIHITO is number 125, from JINMU, the first emperor of Japan. And according to the records of the Ancient Matter (KONJIKI in Japanese), which has already compiled 712 years in the oldest history book, the family lineage represents the continuation of 2,676 years until 2016 from JINMU.

The tasks of the emperor are the following 3, in a broad sense:

1. One of them is the constitutional functions such designation of ministries, promulgation of laws, etc.
2. Another one is the visit. Visit foreign country as the symbol of Japan, visiting areas affected by disasters and cheering.
3. And the last are the Rituals. The emperor needs to execute about 20 Ritual types per year. And pray for the peace of the nation through these Rituals.

And also the emperor's family maintains and transmits the old traditions generation after generation, during the more than 1,300 years of history, and so on.

This succession of rituals is, in and of itself, the succession of culture. Thus, a culture flows through rituals. Therefore, maintaining a leadership role in that direction is also important.

The succession of culture is important not only for the identity of the nation, the sense of belonging to a culture, but also in the sense of belonging and in the sense of security, trust and peace.

The ways of these ancient ritual customs are in China. Of course, the Chinese and the Japanese possess ancient customs differing, due to the mixture of the old native culture of Japan and the Chinese customs. But the ancient route is ancient China.

But, unfortunately, we can no longer see these ancient rituals in China, because they have disappeared and have no continuity, perhaps because they have been banned. However, in certain parts, such as Hong Kong and Taiwan, we can still observe some ancient rituals, such as the one below.

Confucius Birthday Ceremony, every September 26th.

In Hong Kong, this day is still celebrated, but not in mainland China.

In modern history, China has had a very sad history due to the ruptures of political and social reform movements. The so-called Great Cultural Revolution, which took place from 1966 to 1976, under the mandate of the late President Mao Zedong.

This revolution was, in fact, a struggle for political power. And at that time, Confucianism was suppressed and banished. Because of this ban in mainland China, Confucianism has virtually disappeared.

Now, the country where most of the remaining teachings of Confucianism prevail is Japan.

But why? Why in China do they not practice such teachings and rituals? China has a very long history. And since antiquity when a dynasty changed, for example the first emperor of the Qin dynasty was burned with books and buried scholars. These customs were maintained at every change of dynasty. And the most terrible destruction was the Great Cultural Revolution.

This "revolution" destroyed not only Confucianism, but also many other cultures, ancient and famous temples, the furnace of Jingdezhen and other objects of art and very valuable curiosities. After this "revolution" the habit or the tendency of not paying attention to the traditions was established like habitual route.

I recently saw news regarding a damaging repair of The Great Wall of China. According to the news, a construction company plastered a part of the great wall with cement, as if it were a tinkering work.

So, is the transmission of culture important? And because?

A Japanese man/woman feels an abundance of spiritual and heart stability when he visits a sanctuary. And he or she feels a kind of nostalgia and an abundant peace of spirit and heart.

And there are sanctuaries in any local area, as well as Christian Churches and Islamic Mosques in other countries. Local sanctuaries that are in a forest are also well maintained, swept and cleaned by the sanctuary parishioners. Even the local Shintoists maintain the ancient customs.

And the general controller of these local shrines is the emperor. Although we will leave the Emperor of Japan because his figure is unique in the world.

– May I have a question? – Yes, Yes. It is up to you, my reader friend to whom I ask the question.

– When do you feel your greatest tranquility, stability and spiritual abundance? Perhaps it is while watching the flowers, the birds, the moon, the forest, beautiful images or beautiful photos or even the baby's smile? Or perhaps during an occasional visit to the forest, looking at an antique clock or perhaps while listening to the sound of cooking, smell and taste of nostalgic and ancient ways of cooking those local dishes? Or will it be when you wear your traditional costume, or during those local religious festivals or events? Or perhaps under the protection of ancient temples and shrines? – I ask.

As you already understand, all these situations are in the realm of traditional culture.

A traditional culture is a path to identity and spiritual and heart stability, and it is also a path to a sense of belonging to a community.

I wish that my Chinese friends could perceive the true power to improve and become a first-class economy not through the power of military force, but through the gentle power of culture. And I wish they could rebuild and maintain Chinese culture once again. It sure is not too late.

And again, another question, my friend. – Why is an identity and abundant spiritual and heart stability important for a country? –

– Because these are the central pillar of a country. – yes, this is the real answer.

And, in a company. – Why is the cultural diversity and transmission of culture and tradition so important in the success of a company? –

For this case we will change the Cultural Diversity of the Diversity of the individuality and the culture and the tradition of the good corporate culture. In this way a person has an original diversity. And as you will understand, the promotion of the capacity of human resources in the development of their individuality is very important in the management of the company. In addition a good culture and a tradition are the main pillar of a company.

A good corporate culture spreads new and good customs and diversity, individuality and culture are elements that develop and live by nature in the right hemisphere.

I sincerely recommend managing the right and left brain hemispheres well in spite of the situation in the country.

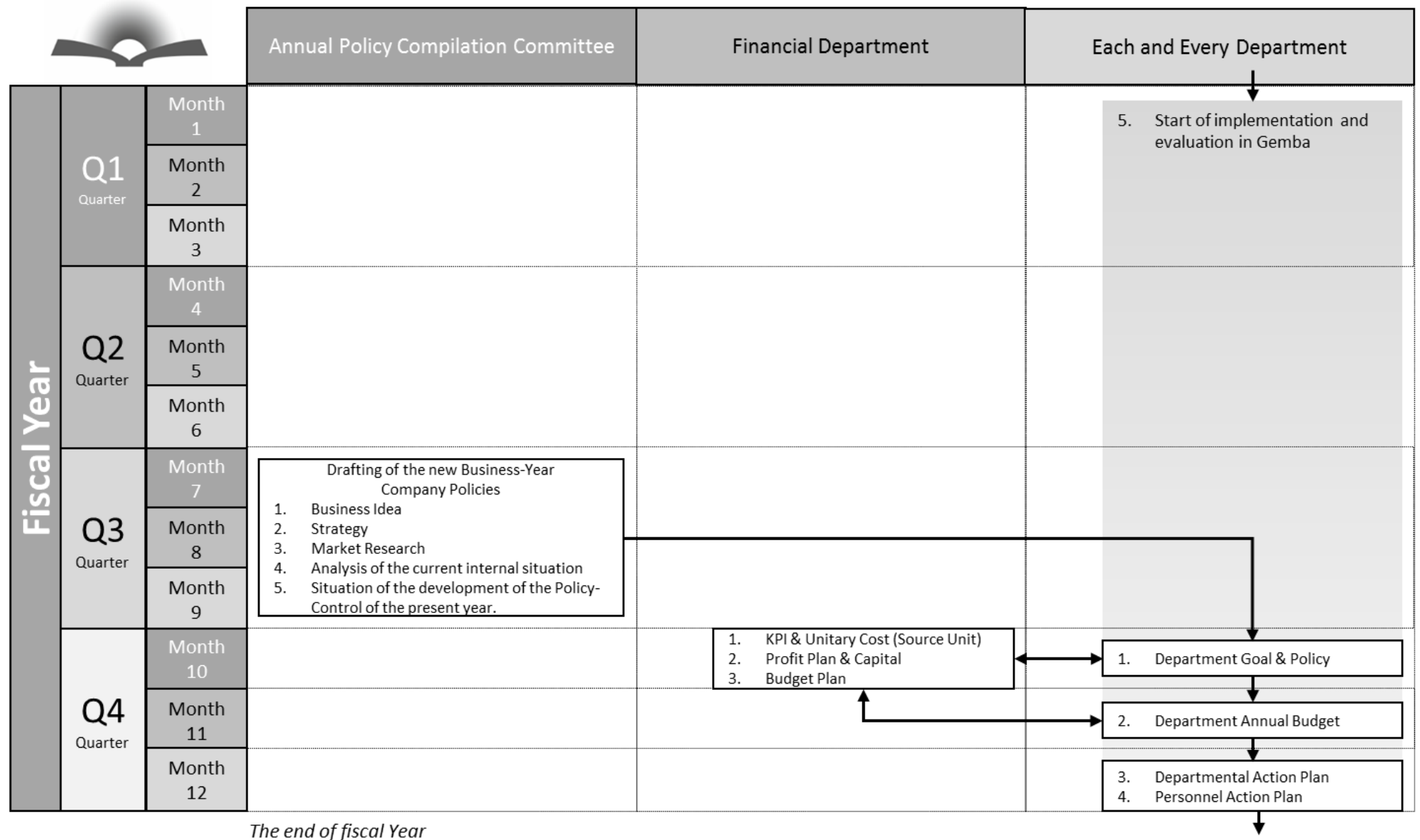
XII Advancing contents

This column defines how the company policy is deployed and controlled. Several forms have been presented and the need for the deployment of this policy has been justified.

In the next column I will define the policy statement and the control of the objectives, as well as completing a bit more the explanation on how to define an action plan.

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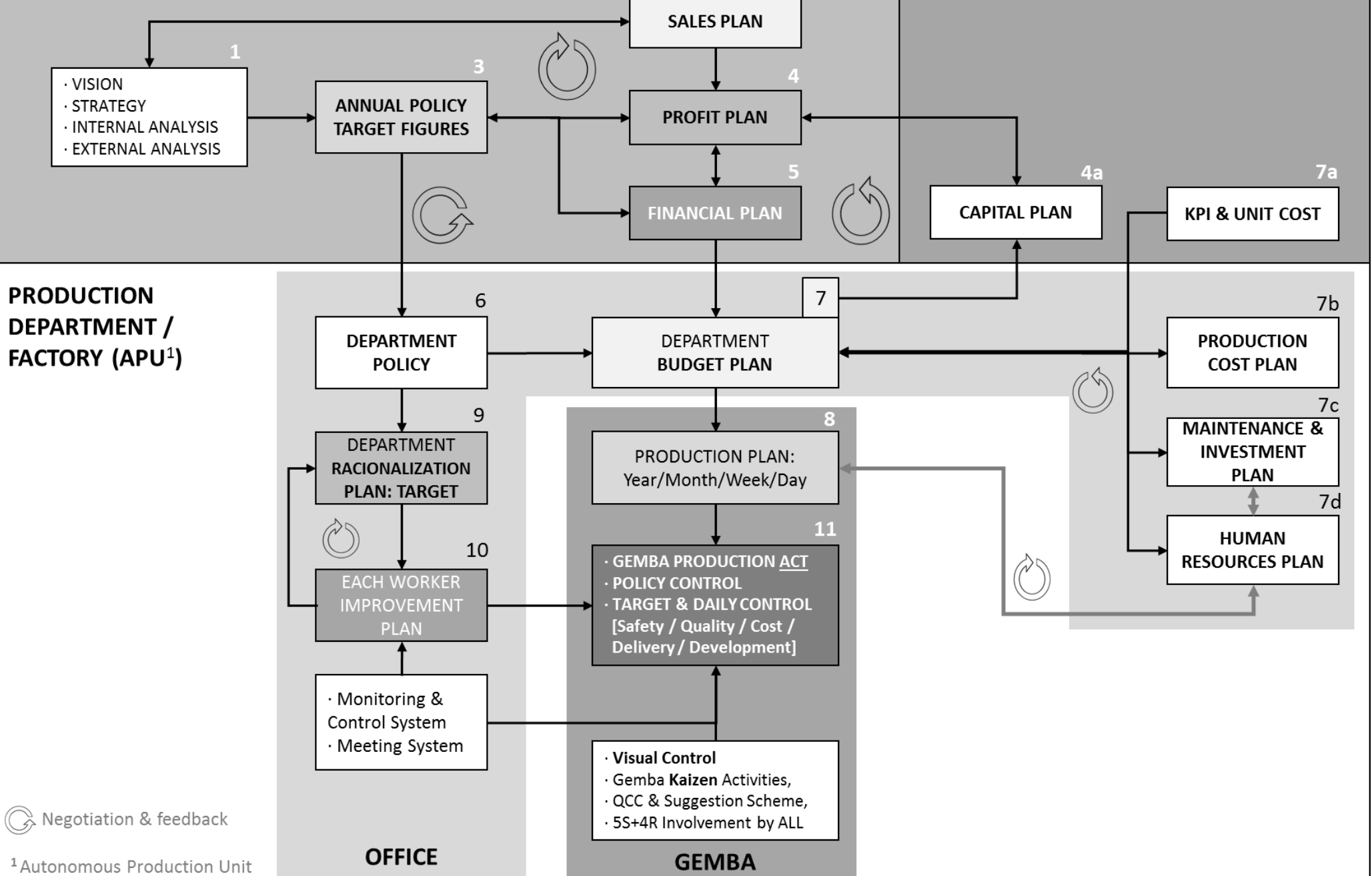


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INTEGRATED FACTORY MANAGEMENT BUILDING & BACKBONE OF POLICY CONTROL

ANNUAL POLICY COMPILATION COMMITTEE

FINANCIAL DEPARTMT.



VALUED ACTION PLAN SHEET

Budget	2011	Month 1				Month 2				Month 3			
Quarter	1..4	Annual	Actual			Annual	Actual			Annual	Actual		
Article	XXXXX	Plan	Plan	Outcome	Forecast	Plan	Plan	Outcome	Forecast	Plan	Plan	Outcome	Forecast
Sales &	KMH												
Production	Sum												
Total Cost													
Gross Profit	Sum												
	Gross Profit Rate												
Direct Cost	Workforce												
	Efficiency												
	Raw Material												
	Scrap												
	Scrap Rate												
	TOTAL												
Indirect cost	Depreciation												
	Workforce												
	Equipment Cost												
	Transport												
	Other expenses												
	TOTAL												
Sales Dirc.Cost	Workforce												
	Equipment Cost												
	Transport												
	Other expenses												
	TOTAL												
Indirect cost	Headquarter												
	Other expenses												
	TOTAL												
Profits Before Taxes													

· This table is the first sheet of material to be taken to the Management Committee meeting.
· The rest of the sheets that follow this first sheet are diagrams and graphs of each Activity and KPI.